



1 ('180); (9) correction of the named inventor of U.S. Patent  
2 6,579,181 ('181); (10) misappropriation of trade secrets; and (11)  
3 a finding that this is an exceptional case pursuant to 35 U.S.C.  
4 § 285.

5 Defendants counter-claimed against Shuffle Master for  
6 infringement of several MindPlay patents by Shuffle Master's  
7 SmartTable game monitoring system and for misappropriation of trade  
8 secrets. The counterclaims alleged in their Answer (#45) to the  
9 amended complaint are respectively for: (1) a declaratory judgment  
10 that the '871 patent is invalid and not infringed; (2) a  
11 declaratory judgment that the '647 patent is invalid and not  
12 infringed; (3) misappropriation of trade secrets; (4) breach of  
13 contract; (5) infringement of the '436 patent; (6) infringement of  
14 the '857 patent; (7) infringement of the '836 patent; and (8)  
15 infringement of the 6,530,837 patent. In turn, Plaintiffs then  
16 counter-claimed, alleging that three patents owned by MindPlay  
17 ('436, '857, and '836) interfere with the '871 patent, and that  
18 these patents, as well as U.S. Patent No. '837 patent, are invalid  
19 in light of prior art. (P.s' Fourth Amended Reply to D.s'  
20 Counterclaims to First Amended Complaint for Patent Infringement  
21 and Affirmative Defenses and Counterclaims in Reply Thereto  
22 (#556).)

23 The Court dismissed (#207) without prejudice Defendants'  
24 breach of contract claim (count IV (#45)) on April 19, 2005. The  
25 parties then stipulated to the dismissal (#565) of the  
26 misappropriation of trade secrets claims on October 2, 2006.

27 The Court entered its Order (#322) construing the disputed  
28

1 claim terms in the '647 and '871 patents on December 20, 2005.

2 The dispositive motions currently pending before the Court are:

- 3 1. Defendants' Motion for Summary Judgment of Non-Infringement  
4 and Invalidity 5,781,647 (#580, #742);
- 5 2. Defendants' Motion for Summary Judgment of Non-Infringement  
6 and Invalidity of U.S. Patent No. 6,313,871 (#566, #743);
- 7 3. Defendants' Motion for Summary Judgment of Invalidity of U.S.  
8 Patent No. 6,313,871 Due to Failure to Join Co-Inventor  
9 William Florschuetz (#575);
- 10 4. Plaintiffs' Cross Motion for Summary Judgment (set forth in  
11 Plaintiffs' Opposition to Defendants' [Seventh] Motion for  
12 Summary Judgment of Invalidity of U.S. Patent No. 6,313,871  
13 Due to Failure to Joint Co-Inventor William Florschuetz  
14 (#672);
- 15 5. Defendants' Motion for Summary Judgment on Shuffle Master's  
16 Claim for Correction of Inventorship in Counts III through IX  
17 of the First Amended Complaint (#578).
- 18 6. Plaintiff Shuffle Master's Motion for Summary Judgment of  
19 Invalidity of the Asserted Claims of U.S. Patent Nos.  
20 6,517,436 and 6,520,857 (#577); and
- 21 7. Defendants' Motion for Summary Judgment of Plaintiffs' Counts  
22 I-III of Counterclaims for Interference (#572).

23 Each motion has been fully briefed, and following the Supreme  
24 Court's decision in KSR Int'l Co. v. Teleflex Inc., 127 S.Ct. 1727  
25 (2007), the Court allowed for additional briefing regarding the  
26 effects of KSR on the pending dispositive motions. (Order of June  
27 14, 2007 (#817).) The Court heard oral argument on the pending  
28 motions on February 28 and 29, 2008.

Defendants have filed the following motions to strike and  
evidentiary objections:

1. Objection (#767) to the Declaration of Jared E. Hedman in  
Support of Plaintiffs' Motion for Summary Judgment of  
Invalidity of U.S. Patents 5,781,647 and 6,313,871;

2. Objection (#766) to the Declaration of Christopher M. Kaiser in Support of Plaintiffs' Opposition to Defendants' Motion for Summary Judgment of Invalidity of U.S. Patent No. 6, 313,871 Due to Failure to Join Co-Inventor William Florschuetz;
3. Objection (#765) to the Declaration of Michael P. Bregenzer in Support of Shuffle Master's Opposition to Defendants' Motions for Summary Judgment of Non-Infringement of U.S. Patent No. 6,313,871;
4. Objection (#764) to the Declaration of Christopher M. Kaiser in Support of Plaintiffs' Opposition to Defendants' Motion for Summary Judgment on Shuffle Master's Claim for Correction of Inventorship in Counts III through IX of the First Amended Complaint (#764);
5. Objection (#763) to the Declaration of Michael P. Bregenzer in Support of Shuffle Master's Motion for Summary Judgment of Invalidity of the Asserted Claims of the U.S. Patent Nos. 6,517,436 and 6,529,857 (#763);
6. Objection (#761) to the Declaration of John Strisower in Support of Plaintiffs' Opposition to Defendants' Motions for Summary Judgment of Invalidity of U.S. Patent Nos. 5,781,647 and 6,313,871 (#761);
7. Objection (#760) to the Declaration of Jared E. Hedman In Support of Shuffle Master's Motion for Summary Judgment of Invalidity of the Asserted Claims of U.S. Patent Nos. 6,517,436 and 6,529,857;
8. Objection (#759) to the Declaration of Dr. Kenneth Castleman in Support of Plaintiffs' Opposition to Defendants' Motions for Summary Judgment of Non-Infringement of U.S. Patents Nos. 5,781,647 and 6,313,871;
9. Objection (#758) to the Declaration of Oliver Schubert in Support of Plaintiffs' Opposition to Defendants' Motion for Summary Judgment on Shuffle Master's Claim for Corrections of Inventorship in Counts III through IX of the First Amended Complaint;
10. Objection (#756) to the Declaration of James T. Carmichael in Support of Plaintiffs' Memoranda in Opposition to Defendants' Eighth Motion for Summary Judgment of Plaintiffs' Counts I-III of Counterclaims for Interference and Defendants' Ninth Motion for Summary Judgment on Shuffle Master's Claim for Correction of Inventorship in Counts III-IX of the First Amended Complaint (#756);

11. Objection (#748) to the Declarations of Oliver Schubert and Willy Florschuetz in Support of Plaintiffs' Opposition to Defendants' Motion for Summary Judgment of Invalidity of U.S. Patent No. 6,313,871 for Failure to Join Co-Inventor Willy Florschuetz;

12. Defendants' Motion (#824) to Strike the Supplemental Expert Report of James T. Carmichael and the Portions of the Supplemental Expert Report of John Strisower Addressing Plaintiffs' Interference Claim for Violation of the Court's June 14, 2007 Order.

Plaintiffs have filed the following evidentiary objections and motions to strike:

13. Plaintiffs' Objections to Defendants' Summary Judgment Declarations (#802);

14. Plaintiffs' Motion to Strike [886] Errata (#891);

15. Plaintiffs' Motion for Leave to File Shuffle Masters Motion For Leave To File Responses To Defendants Supplemental Statements Of Undisputed Facts In Support Of Defendants Motions for Summary Judgment of Non-Infringement and (#885).

#### **I. Evidentiary and Procedural Objections**

The Court's rulings on the evidentiary objections and motions to strike are as follows:

1. Plaintiffs' Motion to Strike [886] Errata (#891) and Plaintiffs' Motion for Leave to File Responses (#885) are **DENIED**.

The Motion to Strike is meritless and the Motion for Leave to File Responses is effectively a motion for reconsideration that the Court will deny for the reasons already stated.

2. Defendants' Motion (#824) to Strike the Supplemental Expert Report of James T. Carmichael and the Portions of the Supplemental Expert Report of John Strisower Addressing Plaintiffs' Interference Claim for Violation of the Court's June 14, 2007 Order is **DENIED** as to Strisower but **GRANTED** as to Carmichael. The "evidence" submitted by Carmichael is improper and irrelevant in

1 this case.

2       Although Carmichael was educated as both an attorney and an  
3 engineer, the opinions he offers are legal conclusions that stem  
4 from his experience working at the United States Patent and  
5 Trademark Office (PTO). Plaintiffs are entirely correct that  
6 Carmichael's legal opinions cannot properly be considered as  
7 factual evidence in this case. See, e.g., Endress + Hauser, Inc.  
8 v. Hawk Measurement Systems Pty. Ltd., 122 F.3d 1040, 1042 (Fed.  
9 Cir. 1997) ("this court has on numerous occasions noted the  
10 impropriety of patent lawyers testifying as expert witnesses and  
11 giving their opinion regarding the proper interpretation of a claim  
12 as a matter of law"); Aguilar v. International Longshoremens Union  
13 Local No. 10, 966 F.2d 443, 447 (9th Cir. 1992) (striking expert  
14 testimony regarding legal issues of reasonableness and  
15 foreseeability is entirely appropriate); see also Becton Dickinson  
16 and Co. v. C.R. Bard, Inc., 922 F.2d 792, 797 (Fed. Cir. 1990)  
17 (witness's legal opinion is "not fact evidence," and thus is  
18 insufficient to create genuine issue of material fact). This Court  
19 disagrees with the reasoning stated in Talarico v. Marathon Shoe  
20 Compnay, 182 F.Supp.2d 102, 112-13 (D. Me. 2002), which essentially  
21 held that the relevance issue can be avoided to the extent that the  
22 attorney's expert opinion helps "articulate" the party's case. Id.  
23 at 112-13; see also Reiffin v. Microsoft Corp., 270 F.Supp.2d 1132,  
24 1145 (N.D. Cal. 2003) (citing with approval Talarico and allowing  
25 patent attorney's explanation where an allegation of laches  
26 apparently made the reasonableness of the patent prosecution  
27 relevant). Sidestepping the relevance issue allows a party to  
28 retain and present the argument of outside counsel as expert

1 factual evidence. This is impermissible both under Federal Rule of  
2 Evidence 702 and under the rules of professional conduct. See Nev.  
3 R. Prof. Conduct 3.7 (adopting model rule 3.7, which states with  
4 exceptions not relevant here that: "[a] lawyer shall not act as  
5 advocate at a trial in which the lawyer is likely to be a necessary  
6 witness"). Similarly, Carmichael's opinion regarding the likely  
7 subjective thoughts of the patent examiner in light of PTO  
8 procedures is irrelevant. Both the record and the PTO procedures  
9 speak for themselves. In sum, Carmichael's opinions cannot be  
10 considered in this case.

11 Accordingly, the objection (#756) to the Declaration of James  
12 T. Carmichael in Support of Plaintiffs' Memoranda in Opposition to  
13 Defendants' Eighth Motion for Summary Judgment of Plaintiffs'  
14 Counts I-III of Counterclaims for Interference and Defendants'  
15 Ninth Motion for Summary Judgment on Shuffle Master's Claim for  
16 Correction of Inventorship in Counts III-IX of the First Amended  
17 Complaint (#756) is **SUSTAINED**. Defendants' objection (#760) to the  
18 Declaration of Jared E. Hedman In Support of Shuffle Master's  
19 Motion for Summary Judgment of Invalidity of the Asserted Claims of  
20 U.S. Patent Nos. 6,517,436 and 6,529,857 is also **SUSTAINED** as to  
21 Carmichael's report.

22 It does not follow that demonstrative evidence, including  
23 Plaintiffs and Defendants' claim charts, would not be admissible at  
24 trial. See, e.g., Tritek Technologies, Inc. v. United States, 67  
25 Fed. Cl. 727, 729 (2005) (demonstrative evidence used to explain or  
26 illustrate other evidence that is already in the record may be  
27 admissible). On this basis, Plaintiffs' objection (#572) to  
28 Defendants' claim charts is **OVERRULED**. Although Plaintiffs' claim

1 charts (Exs. 7-14 to Carmichael Decl. (#683)) have been submitted  
2 to the Court on an improper basis, they will also be considered as  
3 demonstrative evidence.

4 3. Defendants raise numerous objections (##767, 766, 765,  
5 764, 763, 760) to the authentication of Plaintiffs' exhibits.  
6 Ninth Circuit law is clear that a document cannot be authenticated  
7 merely by way of an attorney's declaration that states that the  
8 document is "true and correct." Beyene v. Coleman Sec. Services,  
9 Inc., 854 F.2d 1179, 1182 (9th Cir. 1988). Further, it is  
10 generally the case that "to be considered by the court, documents  
11 must be authenticated by and attached to an affidavit that meets  
12 the requirements of Rule 56(e) and the affiant must be a person  
13 through whom the exhibits could be admitted into evidence." Hal  
14 Roach Studios, Inc. v. Richard Feiner and Co., Inc., 896 F.2d 1542,  
15 1550-51 (9th Cir. 1990) (emphasis supplied; internal quotations and  
16 brackets omitted); see generally Wright, Miller, & Kane, Federal  
17 Practice & Procedure: Civil 3d § 2722 (1998). On the other hand,  
18 documents that are produced in discovery by a party opponent are,  
19 at least in many if not most cases, considered authentic if there  
20 is some indication that the documents are what they say they are  
21 and there is no substantive challenge to their authenticity. See  
22 Maljack Productions, Inc. v. GoodTimes Home Video Corp., 81 F.3d  
23 881, 889 n.12 (9th Cir. 1996) ("The district court did not err in  
24 considering the documents . . . [where (1) the appellant] produced  
25 the documents to [the appellee], [(2)] many of the documents were  
26 on . . . letterhead and [(3) the appellant] does not contest their  
27 authenticity.") (modifications supplied). Accord McQueeney v.  
28 Wilmington Trust Co., 779 F.2d 916, 928-29 (3d Cir. 1985)



(production of documents in discovery is circumstantial evidence of the documents' authenticity); United States v. Brown, 688 F.2d 1112, 1116 (7th Cir. 1982) (same). Here, no substantive doubt has been raised that any of the exhibits are authentic, and the circumstantial evidence in each case suggests that the documents are in fact authentic. Most of the documents contain insignias, logos, and letterheads, and the electronic mails appear to be internally authenticating. Having reviewed the evidence, and absent a more substantive challenge, the exhibits shall be considered authenticated. Accordingly, the objections (##767, 766, 765, 764, 763, 760) to the authentication of these documents are **OVERRULED**.

4. Both Plaintiffs and Defendants object to expert reports that have been submitted unsworn. (##765, 760, 802.) The Court notes that the substance of the experts' findings has for the most part been incorporated into sworn declarations, and it is hard to see how this issue as anything but a waste of the Court's time. Nevertheless, the purpose of allowing affidavits or declarations at summary judgment is to consider testimony that would be admissible at trial. To be admissible, the testimony must be sworn. See Fed. R. Civ. P. 56(e); Fed. R. Evid. 603. Indeed, papers referred to by the affiant must also be "sworn or certified." Fed. R. Evid. 56(e). It clearly follows, and is well established, that an unsworn expert report is inadmissible. See Wittmer v. Peters, 87 F.3d 916, 917 (7th Cir. 1996) (unsworn expert reports are not admissible under Rule 56(e) to support or oppose summary judgment); Fowle v. C & C Cola, 868 F.2d 59, 67 (3d Cir. 1989) (expert's report attached to the declaration of plaintiff's counsel does not

1 comply with Rule 56(e), since "[t]he substance of th[e] report was  
2 not sworn to by the alleged expert"); Provident Life and Accident  
3 Ins. Co. v. Goel, 274 F.3d 984, 1000 (5th Cir. 2001) ("Unsworn  
4 expert reports . . . do not qualify as affidavits or otherwise  
5 admissible evidence for [the] purpose of Rule 56, and may be  
6 disregarded by the court when ruling on a motion for summary  
7 judgment.") (quoting 11 Moore's Federal Practice ¶ 56.41[2][c] (3d  
8 ed. 1997)). See also EPIS, Inc. v. Fidelity and Guaranty Life Ins.  
9 Co., 156 F.Supp.2d 1116, 1124 (N.D. Cal. 2001) (striking  
10 declarations for numerous reasons, including because they were  
11 unsworn).<sup>1</sup> Some courts have held parties opposing summary judgment  
12 to a "less exacting" standard than parties seeking summary  
13 judgment, so long as the requirements of Rule 56(e) – that is,  
14 personal knowledge, competence, and admissibility – are met. See  
15 Competitive Technologies, Inc. v. Fujitsu Ltd., 333 F.Supp.2d 858,  
16 863 (N.D. Cal. 2004). Insofar as admissibility is actually  
17 required by these courts, Federal Rule of Evidence 603 presents a  
18 problem. Further, insofar as summary judgment is an important  
19 component of the federal rules that is not disfavored, Celotex  
20 Corp. v. Catrett, 477 U.S. 317, 327 (1986), we do not see the  
21 purpose or the fairness in applying different, and somewhat fuzzy  
22 rules of evidence to the parties at summary judgment. The  
23 objections (##765, 760, 802) to the unsworn reports are **SUSTAINED**.

24 5. Defendants' objections (##759, 761) to the declarations of  
25

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26 <sup>1</sup>It has generally been held that the problem may be remedied  
27 after it is identified. See Maytag Corp. v. Electrolux Home  
28 Products, Inc., 448 F.Supp.2d 1034, 1046 (N.D. Iowa 2006)  
(collecting cases).

1 John Strisower and Dr. Kenneth Castleman in light of the Court's  
2 claim construction are **OVERRULED**. Defendants have a point. See  
3 Phillips v. AWH Corp., 415 F.3d 1303, 1312-13 (Fed. Cir. 2005) (en  
4 banc) ("a court should discount any expert testimony 'that is  
5 clearly at odds with the claim construction mandated by the claims  
6 themselves, the written description, and the prosecution history,  
7 in other words, with the written record of the patent.'"). Under  
8 the circumstances, however, and even to the extent that Defendants'  
9 arguments have some merit in each case, these arguments appear to  
10 go to weight rather than admissibility.

11 6. Plaintiffs' objection (#802) to the Declaration of Glenn  
12 Fishbine, dated October 3, 2006 (#571), is **SUSTAINED**. There may be  
13 some overlap in the areas that the Magistrate Judge designated as  
14 permissible and impermissible areas of testimony for Glenn  
15 Fishbine. However, should Defendants wish to rely on Fishbine's  
16 testimony in any further proceedings, they should move for  
17 clarification rather than submitting testimony that is very clearly  
18 at odds with an order (#518) of the Magistrate Judge.

19 7. Defendants' hearsay objection (#766) regarding Willy  
20 Florschuetz's statements as relayed by Oliver Schubert – stating  
21 that Florschuetz stated "I wasn't really a part of that" and "No, I  
22 don't think I need to be named as an inventor" – is **SUSTAINED**.

23 8. Defendants' hearsay objections (##760, 767) regarding  
24 Douglas Anderson's statements regarding Bryant Scheffe's role in  
25 the development of Trak-21 are **OVERRULED**.

26 9. Defendants' objection (#765) to the testimony of Dan  
27 Tylutki asserting lack of foundation is **OVERRULED**.

28 10. The redacted versions of the translated emails between

1 Schubert and Florschuetz were before the PTO, and thus were readily  
2 available to Defendants. The actual substance of the translations  
3 has not been disputed. The apparent failure to initially produce  
4 the translations of the German emails between Schubert and  
5 Florschuetz and the apparent failure to produce information  
6 regarding the circumstances of their translation appears to the  
7 Court to have been substantially harmless, but the Court will  
8 consider a motion to recover any expenses incurred by Defendants in  
9 verifying the translations. Cf. Fed. R. Evid. 604. On this basis,  
10 Defendants' objection (#763) to the Declaration of Michael P.  
11 Bregenzer in Support of Shuffle Master's Motion for Summary  
12 Judgment of Invalidity of the Asserted Claims of the U.S. Patent  
13 Nos. 6,517,436 and 6,529,857 is **OVERRULED**.

14 11. The parties' respective objections (#760, 802) to the  
15 scope of the deposition questioning of their own expert witnesses  
16 are **OVERRULED**. The objections (##748, 758, 802) to the  
17 declarations of Huizinga, Soltys, Schubert, and Florschuetz are  
18 also **OVERRULED**.

## 20 **II. Summary Judgment Standard**

21 Summary judgment allows courts to avoid unnecessary trials  
22 where no material factual dispute exists. Northwest Motorcycle  
23 Ass'n v. United States Dep't of Agric., 18 F.3d 1468, 1471 (9th  
24 Cir. 1994). The court must view the evidence and the inferences  
25 arising therefrom in the light most favorable to the nonmoving  
26 party, Bagdadi v. Nazar, 84 F.3d 1194, 1197 (9th Cir. 1996), and  
27 should award summary judgment where no genuine issues of material  
28 fact remain in dispute and the moving party is entitled to judgment

1 as a matter of law. Fed. R. Civ. P. 56(c). Judgment as a matter  
2 of law is appropriate where there is no legally sufficient  
3 evidentiary basis for a reasonable jury to find for the nonmoving  
4 party. Fed. R. Civ. P. 50(a). Where reasonable minds could differ  
5 on the material facts at issue, however, summary judgment should  
6 not be granted. Warren v. City of Carlsbad, 58 F.3d 439, 441 (9th  
7 Cir. 1995), cert. denied, 116 S.Ct. 1261 (1996).

8 The moving party bears the burden of informing the court of  
9 the basis for its motion, together with evidence demonstrating the  
10 absence of any genuine issue of material fact. Celotex Corp., 477  
11 U.S. at 323. Once the moving party has met its burden, the party  
12 opposing the motion may not rest upon mere allegations or denials  
13 in the pleadings, but must set forth specific facts showing that  
14 there exists a genuine issue for trial. Anderson v. Liberty Lobby,  
15 Inc., 477 U.S. 242, 248 (1986). Although the parties may submit  
16 evidence in an inadmissible form - namely, depositions, admissions,  
17 interrogatory answers, and affidavits - only evidence which might  
18 be admissible at trial may be considered by a trial court in ruling  
19 on a motion for summary judgment. Fed. R. Civ. P. 56(c); Beyene v.  
20 Coleman Security Services, Inc., 854 F.2d 1179, 1181 (9th Cir.  
21 1988).

22 In deciding whether to grant summary judgment, a court must  
23 take three necessary steps: (1) it must determine whether a fact is  
24 material; (2) it must determine whether there exists a genuine  
25 issue for the trier of fact, as determined by the documents  
26 submitted to the court; and (3) it must consider that evidence in  
27 light of the appropriate standard of proof. Anderson, 477 U.S. at  
28 248. Summary Judgment is not proper if material factual issues

1 exist for trial. B.C. v. Plumas Unified Sch. Dist., 192 F.3d 1260,  
2 1264 (9th Cir. 1999). "As to materiality, only disputes over facts  
3 that might affect the outcome of the suit under the governing law  
4 will properly preclude the entry of summary judgment." Anderson,  
5 477 U.S. at 248. Disputes over irrelevant or unnecessary facts  
6 should not be considered. Id. Where there is a complete failure  
7 of proof on an essential element of the nonmoving party's case, all  
8 other facts become immaterial, and the moving party is entitled to  
9 judgment as a matter of law. Celotex, 477 U.S. at 323. Summary  
10 judgment is not a disfavored procedural shortcut, but rather an  
11 integral part of the federal rules as a whole. Id.

12  
13 **III. Defendants' Motion for Summary Judgment of Non-Infringement**  
14 **and Invalidity 5,781,647 (##580, 742)**

15 The '647 patent discloses a "gambling chip recognition  
16 system," and in particular, "[a] computer implemented gambling chip  
17 recognition system having the ability to capture an image of a  
18 stack of gambling chips and automatically processing the image to  
19 determine the number of chips within the stack and the value of  
20 each." '647 Patent Abstract. The patent stems from an application  
21 filed in October 1995, and the PTO issued the '647 patent to Glenn  
22 Fishbine and Jack Klingert on July 14, 1998. Shuffle Master and  
23 IGT currently each own a 50% interest in the rights of the patent.  
24 The accused MP21 system, developed by Richard Soltys and Richard  
25 Huizinga, is owned and currently being marketed by Bally  
26 Technologies.

1 Defendants argue that the MP21 does not infringe the '647  
2 patent, and that the patent is in any case invalid in light of  
3 prior art.

4  
5 **A. Patent Infringement**

6 Any person who "without authority makes, uses, offers to sell,  
7 or sells any patented invention, within the United States . . .  
8 infringes the patent." 35 U.S.C. § 271(a). Infringement analysis  
9 involves two steps: first, the claim scope is determined; second,  
10 the properly construed claim is compared with the accused device to  
11 determine whether all of the claim limitations are present either  
12 literally or by a substantial equivalent. Amazon.com, Inc. v.  
13 Barnesandnoble.com, Inc., 239 F.3d 1343, 1351 (Fed. Cir. 2001).

14 Claims within a patent may be divided into independent and  
15 dependent claims. Independent claims are those which do not refer  
16 directly to other claims. Dependent claims, as their name  
17 suggests, "depend" on the referenced independent claim and place  
18 additional limitations onto that independent claim. If an accused  
19 product does not infringe an independent claim of the asserted  
20 patent, it cannot infringe any of the claims that depend on the  
21 independent claim. Jeneric/Pentron, Inc. v. Dillon Co., Inc., 205  
22 F.3d 1377, 1383 (Fed. Cir. 2000).

23  
24 **B. Literal Infringement**

25 Because each claim is a separate statement of the patented  
26 invention, a patent is infringed if any one of its claims is  
27 infringed. Pall Corp. v. Micron Separations, Inc., 66 F.3d 1211,  
28 1220 (Fed. Cir. 1995). A device is not saved from infringement by

1 adding elements beyond those claimed in a patent; if a claim reads  
2 on part of an accused device, then the entire accused device  
3 infringes on the claim. Suntiger, Inc. v. Scientific Research  
4 Funding Group, 189 F.3d 1327, 1336 (Fed. Cir. 1999). Conversely,  
5 if an accused device or process does not include each and every  
6 limitation of a patent claim, there is no literal infringement.  
7 Spectrum Int'l, Inc. v. Sterlite Corp., 164 F.3d 1372, 1379 (Fed.  
8 Cir. 1998).

### 9 10 **C. The Doctrine of Equivalents**

11 The doctrine of equivalents operates to ensure that "[m]ere  
12 colorable differences, or slight improvements, cannot shake the  
13 right of the original inventor." Hilton Davis Chemical Co. v.  
14 Warner-Jenkinson Co., Inc., 62 F.3d 1512, 1517 (Fed. Cir. 1995)  
15 (internal citations omitted). The doctrine loosens the  
16 requirements of literal infringement, allowing a finding of  
17 infringement where one or more limitations of an asserted claim are  
18 not met literally, but are met by an equivalent embodiment. KCJ  
19 Corp. v. Kinetic Concepts, Inc., 223 F.3d 1351, 1359 (Fed. Cir.  
20 2000).

21 The Federal Circuit has identified several tests for  
22 identifying when a claim limitation is met by an equivalent  
23 structure. One test is whether "the differences between the two  
24 are 'insubstantial' to one of ordinary skill in the art." KCJ, 223  
25 F.3d 1359. Another test is whether the element in the accused  
26 device that does not literally infringe "performs substantially the  
27 same function in substantially the same way to obtain the same  
28 result." Graver Tank & Mfg. Co. v. Linde Air Prods. Co., 339 U.S.



1 605, 608 (1950). The determination of equivalence should be  
2 applied as an objective inquiry on an element-by-element basis.  
3 Warner-Jenkinson Co., Inc. v. Hilton Davis Chemical Co., 520 U.S.  
4 17, 40 (1997). Whether the accused device contains each claim  
5 element exactly or its equivalent is a question of fact. KCJ, 223  
6 F.3d at 1353.

7  
8 **D. Prosecution History Estoppel against the Invocation of**  
9 **the Doctrine of Equivalents**

10 If a patentee disclaims subject matter during a patent's  
11 prosecution through a narrowing amendment, prosecution history  
12 estoppel prevents that patentee from using the doctrine of  
13 equivalents to reclaim the disclaimed subject matter. Festo Corp.  
14 v. Shoketsu Kinzoku Kogyo Kabushiki Co. ("Festo VIII"), 535 U.S.  
15 722, 740 (2002). The mere addition of a narrowing amendment does  
16 not prevent assertion of all equivalents to that limitation. Id.  
17 at 740. Instead, the narrowing amendment gives rise to a  
18 presumption of estoppel which the patentee may rebut by proving  
19 either (1) that the amendment was made for a purpose unrelated to  
20 patentability, id. (citing Warner-Jenkinson Co. v. Hilton Davis  
21 Chemical Co., 520 U.S. 17, 33 (1997)), or (2) that the amendment  
22 did not surrender the exact equivalent in question. Festo VIII,  
23 535 U.S. at 740-41. Rebuttal of the presumption of surrender is a  
24 question of law to be determined by the court. Festo Corp. v.  
25 Shoketsu Kinzoku Kogyo Kabushiki Co. ("Festo IX")), 344 F.3d 1359,  
26 1367-68 (Fed. Cir. 2003). The patentee has the burden of showing  
27 that a narrowing amendment does not surrender a particular  
28 equivalent. See Festo VIII, 535 U.S. 740.

**E. Prosecution History Disclaimer and Specification Disclaimer**

A patentee is "is not entitled to a claim construction divorced from the context of the written description and prosecution history." Nystrom v. TREX Co., 424 F.3d 1136, 1144-45 (Fed. Cir. 2005). "[T]he prosecution history can often inform the meaning of the claim language by demonstrating how the inventor understood the invention and whether the inventor limited the invention in the course of prosecution, making the claim scope narrower than it would otherwise be." Phillips, 415 F.3d at 1317. The Court must therefore "examine the patent's prosecution history, when placed in evidence, to determine whether the inventor disclaimed a particular interpretation of a claim term during the prosecution of the patent in suit or during the prosecution of an ancestor application." Ventana Med. Sys., Inc. v. Biogenex Lab., Inc., 473 F.3d 1173, 1182 (Fed. Cir. 2006); see also Microsoft Corp. v. Multi-Tech Sys., Inc., 357 F.3d 1340, 1349 (Fed. Cir. 2004). "The prosecution history limits the interpretation of claim terms so as to exclude any interpretation that was disclaimed during prosecution." Southwall Techs. v. Cardinal IG Co., 54 F.3d 1570, 1576-77 (Fed. Cir. 1995).

Fundamentally, "[c]laims may not be construed one way in order to obtain their allowance and in a different way against accused infringers." Southwall Techs., 54 F.3d at 1576-77. However, a disclaimer of scope in the prosecution history must be clear and unambiguous. Omega Eng'g, Inc., v. Raytek Corp., 334 F.3d 1314, 1324 (Fed. Cir. 2003).

1 In addition, "the specification may reveal an intentional  
2 disclaimer, or disavowal, of claim scope by the inventor."  
3 Phillips, 415 F.3d at 1316. In such a case, "the inventor has  
4 dictated the correct claim scope, and the inventor's intention, as  
5 expressed in the specification, is regarded as dispositive." Id.  
6 (emphasis supplied); see also SciMed, 242 F.3d at 1344 ("[T]he  
7 written description can provide guidance as to the meaning of the  
8 claims, thereby dictating the manner in which the claims are to be  
9 construed, even if the guidance is not provided in explicit  
10 definitional format."). Where the specification "makes clear that  
11 the invention does not include a particular feature, that feature  
12 is deemed to be outside the reach of the claims of the patent, even  
13 though the language of the claims, read without reference to the  
14 specification, might be considered broad enough to encompass the  
15 feature in question." SciMed, 242 F.3d at 1341.

16 Defendants argue that Plaintiffs' infringement theory is "an  
17 improper attempt to reclaim material disclaimed during the  
18 prosecution of the '647 patent." Arguably, this is an issue that  
19 should have been raised at the Markman hearing, although the  
20 closely related issue of "prosecution estoppel" is a doctrine that  
21 is specifically triggered by infringement analysis.<sup>2</sup> The parties  
22

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23 <sup>2</sup>The term "prosecution disclaimer" is used where coverage of a  
24 particular subject matter is disclaimed in the prosecution of a  
25 patent. The disclaimer may be independent, or in conjunction with  
26 a disclaimer in the specification. See generally Scimed Life  
27 Systems, Inc., v. Advanced Cardiovascular Systems, Inc., 242 F.3d  
28 1337 (Fed. Cir. 2001). The term "prosecution history estoppel"  
(alternatively, "argument based estoppel") is used for essentially  
the same phenomenon, where a party is estopped from claiming an  
alleged infringement by way of the doctrine of equivalents because  
(continued on next page)

1 have presented their evidence and arguments on the issue, and the  
2 Court perceives no procedural obstacle, and more importantly, no  
3 prejudice to Plaintiffs in considering Defendants' disclaimer  
4 arguments.

5  
6 **F. Infringement Analysis**

7 Defendants argue that the MP21 system does not read onto the  
8 '647 patent because (1) it does not identify chip edges (as  
9 required by all claims); (2) the system does not use "pixel  
10 variance" (as required by claim 6 and its dependent claims); and  
11 (3) the system does not use an image converter, frame grabber,  
12 video camera or video image (as required by claims 2, 3, and 7).  
13 Defendants also argue that the method claims (claims 5 and 15) are  
14 not infringed, or at least they are not infringed by the design and  
15 sale of the MP21 system.

16 The '647 patent has three independent claims (claims 1, 5, and  
17 6), and a total of 16 claims. All three independent claims  
18 disclose determining the number of chips in the stack "by  
19 identifying chip edges for each chip," '647 Patent 7:30-31, 7:51,  
20 or "by identifying the edges of each chip." Id. 8:1-2. The  
21 Court's claim construction Order adopted the following definitions  
22 by stipulation:

23 "chip edges": the transition between a chip and  
24 something that is not that chip

25  
26 of a disclaimer that was made in the prosecution of the patent in  
27 order to secure approval. The Federal Circuit has acknowledged  
28 that there is "a relation" between the theories and that the  
standard is very close to the same in either case. Omega Eng'g,  
Inc., 334 F.3d at 1325 n.1.

1 "edges of each chip and edges of each individual chip":  
2 a dividing line between a chip and something that is not  
a chip

3 (Order of Dec. 20, 2005 at 55 (#322-3).) The parties agree that  
4 the latter definition should be altered, and pursuant to the  
5 parties' agreement, the terms will share a common definition: "the  
6 transition between a chip and something that is not that chip."

7 Defendants argue that the MP21 system does not identify or  
8 detect chip edges, but instead detects "stripes" or "streaks" on  
9 the sides of the chips. They note that while the MP21 system uses  
10 graphical "edge detection," as that term is used in the parlance of  
11 the field of digital image processing, this edge detection is not  
12 directed towards "chip edges." Defendants note that the  
13 programming code found in the EdgeLocator code module actually  
14 looks for the color transitions that embody stripes. Defendants  
15 further rely on the "experimental evidence" submitted by Dr. Trevor  
16 Darrell. In Dr. Darrell's experiment, the system was able to  
17 identify the number of chips based on the two-dimensional images  
18 which have been included in Appendix A. While Dr. Darrell submits  
19 that it has been demonstrated that the system does not use chip  
20 edges, (Darrell Decl. (#569) ¶¶ 78-84), the Court finds that the  
21 experiment demonstrates that (1) the system can identify the number  
22 of chips where most chip edges are either absent or substantially  
23 missing, and (2) that the chips themselves can be factored out of  
24 the operation of the system, such that "chips" can be counted when  
25 the chips are absent but the streaks are present. Defendants also  
26 submit Huizinga's declaration, demonstrating that the system is not  
27 capable of counting chips that do not have streaks. (Huizinga  
28

1 Decl. (#772).)<sup>3</sup>

2 Plaintiffs vigorously dispute Dr. Darrell's interpretation of  
3 his own demonstration, but they do not dispute that the MP21 system  
4 operates as Dr. Darrell described it did – that is, that the MP21  
5 correctly identified the number of chips based upon the  
6 representations in Appendix A. In response to Huizinga's  
7 declaration, Plaintiffs assert that the system could conceivably be  
8 re-programmed to count chips without streaks, which Defendants do  
9 not dispute. The Court notes that here and elsewhere the  
10 capabilities and operation of a different system are not at issue  
11 in this case. Citing Dr. Castleman's rebuttal testimony,  
12 Plaintiffs argue that Dr. Darrell's demonstration is not the  
13 "normal" usage of the system. The observation is irrelevant  
14 insofar as the demonstration is submitted as a demonstration of the  
15 system's mechanics and internal logic, not its operation under  
16 normal circumstances. That said, Plaintiffs certainly make the  
17 point that Defendants' demonstration really just demonstrates that,  
18 insofar as some streaks edges correspond with chip edges, not all  
19 chip edges are necessary for the system's operation.

20 Plaintiffs also rely on Dr. Castleman's analysis of the  
21 programming source code used to create the software utilized by  
22 MP21. Indeed, his analysis of the source code for the software is  
23 repeated numerous times with only slight variation in Plaintiffs'  
24 briefing. In summation, Dr. Castleman analyzes several programming  
25 code modules (ProcessCandidateEdges, GetCenter, GetRadius, and

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26  
27 <sup>3</sup>Although this declaration was filed with Defendants reply,  
28 Plaintiffs have had abundant opportunities to respond and have done  
so.

1 IdentifyChipCandidate) and generally concludes:

2 No transition gets included in the sequence of transitions  
3 that are considered without first being compared to the left  
4 and right edges determined from the calculated center and  
5 radius. Further, the order in which the transitions are  
6 evaluated in denomination matching is determined by proximity  
7 to the calculated center. As such, the overall algorithm for  
8 determining the value of a chip is dependent on the calculated  
9 center and radius and thus on the left and right edges of the  
10 chip that have been located by the previous analysis.

11 (Castleman Decl. (#695) ¶ 219.) Defendants have objected (#759) to  
12 this opinion because they contend it was not disclosed in  
13 compliance with Federal Rule of Civil Procedure 26(a)(2)(B).  
14 Plaintiffs response is largely that the "additional opinions" grew  
15 out of the opinions that were originally disclosed. The failure to  
16 be more specific at the outset does not appear to have been totally  
17 inconsequential, since Defendants assert that two of the routines  
18 Castleman analyzes are actually not part of the public, production  
19 version of the MP21 system.<sup>4</sup> Nevertheless, it is appropriate for  
20 the Court to consider the issue of how the software works in this  
21 case, and Defendants do not dispute that ProcessCandidateEdges is a  
22 component of the production MP21 system. Dr. Castleman's opinion  
23 responds to Defendants' arguments, and is not unrelated to his  
24 original opinion.

25 Having very carefully considered Dr. Castleman's declaration,  
26 the Court finds that Plaintiffs cannot show literal infringement.  
27 First, examining streaks and stripes, some of which may  
28 "correspond" to chip edges, others of which will not, is simply not  
29 the same as examining the direct visual indicia of "chip edges."  
30 Second, while the system identifies some streak edges that

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31 <sup>4</sup>In light of Section 271(a), Defendants' point is unclear.

1 correspond to chip edges, Defendants have demonstrated that the  
2 system does not actually identify the edges of each chip.

3 This said, it does not matter whether Plaintiffs' infringement  
4 theory must sound in the doctrine of equivalents or not, because  
5 Defendants' argument that Plaintiffs are trying to recover matter  
6 that was previously disclaimed is clearly meritorious. The '647  
7 patent's description of the prior art explained that prior systems  
8 had required chips to have their edges encoded:

9 One of the problems with the system disclosed in U.S. Pat. No.  
10 4,814,589 is that the system requires the disc-like objects,  
11 such as gambling chips, coins, tokens, etc., have machine  
12 readable information encoded about the periphery thereof.  
13 Another system having similar problems is disclosed in U.S.  
14 Pat. No. 5,103,081 to Fisher. It describes a gambling chip  
15 with a circular bar code to indicate the chips denomination,  
16 authenticity and other information. The chip validating  
17 device rotates the chip in order to read the circular bar  
18 code. [ ¶ ] . . . . There is a need for a system that can  
19 determine the value of gambling chips without encoding the  
20 periphery of each chip to enable system determination of its  
21 value.

22 '647 Patent 1:55-2:6. The specification thus indicates that  
23 "identifying" within the terms of the independent claims of the  
24 '647 patent does not mean identifying by way of marks on the sides  
25 of chips. See SciMed, 242 F.3d at 1341. The whole point of the  
26 '647 patent is to count and identify chips without utilizing  
27 identifying markings. To the extent that there are any lingering  
28 doubts, they are eliminated by the prosecution history.

29 The patentee had sought to patent: "performing the step of  
30 comparing each said chip representation against said plurality of  
31 predetermined chip representations to determine the value of each  
32 chip within the stacked pile." (Ex. 22, SM-MP 000956, Smith Decl.  
33 (vol. 2) (#582).) The original language clearly covered  
34 identifying chips utilizing identifying markings. In order to



1 overcome rejection due to obviousness the patentee made several  
2 arguments, including that: "[t]his method of determining the number  
3 of chips in a stack of chips . . . does not require use of any  
4 identifying markings . . ." (Ex. 22, SM-MP 000960, Smith Decl.  
5 (vol. 2) (#582).) The patentee also argued that prior art was  
6 distinguishable because binary codes were not encoded on chips and  
7 because prior systems did not process an image of an entire stack  
8 of chips. (Id. at SM-MP 000960 - SM-MP 000961.) Plaintiffs argue  
9 that the surrender of claim scope only applies to systems that  
10 utilize bar codes, not to any system that utilizes "identifying  
11 markings" on the sides of the casino chips. Adopting Plaintiffs'  
12 theory would require the Court to simply ignore the patentee's  
13 multiple arguments to the examiner. The previous claim language  
14 was extraordinarily broad and obviously covered systems utilizing  
15 "identifying markings," with or without chip edges, and Plaintiff's  
16 argument to the examiner does not leave any ambiguity regarding  
17 whether the '647 patent claims systems utilizing "identifying  
18 markings." There is nothing here to rebut the presumption that the  
19 patentee has surrendered all territory between the original claim  
20 limitation and the amended claim limitation, and the patentee's  
21 statement was, in any case, a clear disclaimer.

22 In sum, whether viewed through the lens of specification  
23 disclaimer, prosecution disclaimer, or prosecution history  
24 estoppel, the MP21 system does not infringe the '647 patent. As  
25 this issue is dispositive, it is not necessary to address  
26 Defendants' other arguments regarding non-infringement. The Court  
27 will nevertheless briefly observe that (1) "pixel variance" (claim  
28 6) clearly means statistical variance within the context of the

1 specification and the prosecution history,<sup>5</sup> and (2) the issues  
2 concerning "video" technology – that is, the image converter, frame  
3 grabber, video camera, and video image requirements (claims 2, 3,  
4 and 7) – track the same infringement issues in the '871 patent.  
5 The significant difference is that Plaintiffs have not argued that  
6 the doctrine of equivalents would apply with respect to this  
7 patent.

### 8 9 **G. Invalidity**

10 Patent claims are presumed to be valid, 35 U.S.C. § 282, and  
11 the party seeking to show invalidity must prove facts supporting  
12 invalidity by clear and convincing evidence. N. American Vaccine,  
13 Inc. v. American Cyanamid Co., 7 F.3d 1571, 1579 (Fed. Cir. 1993).  
14

### 15 **H. Anticipation Standard**

16 Anticipation under 35 U.S.C. § 102 is a question of fact.  
17 Merck & Co., Inc. v. Teva Pharms. USA, Inc., 347 F.3d 1367, 1369  
18 (Fed. Cir. 2003). "That which infringes if later, anticipates if  
19 earlier." SmithKline Beecham Corp. v. Apotex Corp., 439 F.3d 1312  
20 (Fed. Cir. 2006). "A patent is invalid for anticipation if a  
21 single prior art reference discloses each and every limitation of  
22

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23  
24 <sup>5</sup>The patentee stated, for example: "[t]he variance values  
25 illustrate the point in the cross-section where the variance grows  
26 large enough to indicate a statistical edge value," and "[t]he  
27 number of statistical edges the processor detects helps the  
28 computer determine the number of gambling chips in a stack." (Ex.  
22, SM-MP 000960-61, Smith Decl. (vol. 2) (#582).) In addition,  
the specification provides the equation for statistical variance as  
the "variance equation." '647 Patent 4:55-65. This issue is not  
close.

1 the claimed invention." Schering Corp. v. Geneva Pharmaceuticals,  
2 339 F.3d 1373, 1377 (Fed. Cir. 2003). "[A] prior art reference may  
3 anticipate without disclosing a feature of the claimed invention if  
4 that missing characteristic is necessarily present, or inherent, in  
5 the single anticipating reference." Id.

6  
7 **I. Anticipation Analysis**

8 Defendants argue that the '647 patent, at least as interpreted  
9 by Plaintiffs, is anticipated by U.S. Patent 4,531,187 ('187).  
10 They assert that, because Plaintiffs infringement theory eliminates  
11 the chip edges requirement from the '647 patent, it need not be  
12 found in prior art for the purposes of anticipation.<sup>6</sup> Plaintiffs,  
13 on the other hand, argue that the '187 patent lacks "imaging a  
14 stacked pile of chips, storing chip representations, determining  
15 the number of chips in a stacked pile by identifying chip edges,  
16 calculating chip representations, computing pixel variance values,  
17 and applying an edge detection filter." (P.s' Corrected Memo. in  
18 Opp. to Def.s' Fourth Mot. for Summ. J. (#722) 8.)

19 The '187 patent discloses "a single video camera in the  
20 ceiling of the room," '187 Patent 3:48, and the crucial additional  
21 disclosure in that patent's specification appears to the Court to  
22 be the following:

23 The mechanical and electrical units which identify the cards  
24 and chips are effectively modifications of presently available  
25 scanners. For example, scanners now used in optical character  
26 recognition apparatus for inputting of typewritten material to  
a word processor or other computing equipment are available,

---

27 <sup>6</sup>The Court finds this argument unpersuasive, and perhaps it is  
28 even rhetorical. However, the Court will address Defendants'  
reliance on the '187 patent.

1 which application is far more demanding than chip and card  
2 recognition. Typically, a video camera supplies the composite  
3 video signal to a video amplifier, synchronization pulse  
4 separator and color separation unit 40. This outputs the  
5 separate red, green and blue video signals to recognition and  
6 shift registers 42, 43, 44. These are used by chip  
7 recognition unit 46 and card recognition unit 48 to identify  
8 the cards dealt and the chips bet. . . . Chip recognition is  
9 done typically on the basis of the color of the chip, in  
10 accordance with the usual practice according to which chips of  
11 different colors represent different bet amounts.

12 '187 Patent 4:3-33.

13 The parties have very different interpretations of this patent  
14 and of this disclosure. Plaintiffs assert that the '187 patent  
15 only uses chip color to identify chips (although the patent  
16 implicitly counts chips as well)<sup>7</sup>, whereas Defendants assert that  
17 the patent inherently discloses edge detection image processing  
18 techniques in stating that known optical character recognition  
19 techniques could be utilized to identify both cards and chips.  
20 (Darrell Decl. (#569) ¶ 123.) As Defendants note, it is  
21 uncontroversial that optical character recognition techniques  
22 involve edge detection. Defendants assert that the patent  
23 inherently covers imaging stacked chips on a table because that is  
24 the normal operation of casino tables. Plaintiffs argue that the  
25 '187 does not disclose the application of optical character  
26 recognition techniques to the casino monitoring context, and  
27 apparently that the mention of optical character recognition  
28 technology was more or less random. In light of the comparison of  
the computing resources required for optical character recognition

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<sup>7</sup>For example, the '187 patent claims "means for determining the bets of each player." '187 Patent 6:4. There is no overt indication that the system would require players not to stack their chips in order to identify the chips in play, which is, of course, ordinary game play.

1 to those required for chip recognition, this is a dubious but not  
2 utterly implausible reading of the '187 patent. More  
3 fundamentally, the perhaps forward looking '187 patent, applied for  
4 in 1982 and issued in 1985, is not terribly clear in its  
5 disclosure. The '187 mentions color in describing the nature of  
6 video technology, and states that color will be used to identify  
7 chips. To the extent that any image processing technique uses  
8 digital values for pixel color, the patent's scope is arguably very  
9 broad. But, also arguably, the '187 patent does not disclose a  
10 means of counting chips even as such a means would appear to be  
11 implicit in the patent's claims. See '187 Patent 6:4 & 6:10-13  
12 (claiming "means for determining the bets placed by each player"  
13 and "means for determining whether each player's bet has either  
14 been correctly paid out or collected from him"). To the extent  
15 such a disclosure is made, it certainly does not explicitly  
16 disclose counting chips by means of utilizing the chip edges, nor  
17 does it disclose storing chip representations. Thus, the inherent  
18 disclosures in the '187 patent are disputed questions of fact.

19 In sum, while the '187 patent is certainly suggestive, summary  
20 judgment is not warranted based on anticipation of the '647 patent  
21 by the '187 patent.

## 22 23 **J. Obviousness Standard**

24 A patent may be invalidated as obvious "if the difference  
25 between the subject matter sought to be patented and the prior art  
26 are such that the subject matter as a whole would have been obvious  
27 at the time the invention was made to a person having ordinary  
28 skill in the art to which said subject matter pertains." 35 U.S.C.

1 § 103(a). Obviousness is a question of law. See Richardson-Vicks,  
2 Inc. v. Upjohn Co., 122 F.3d 1476, 1479 (Fed. Cir. 1997); see also  
3 Quad Environmental Technologies Corp. v. Union Sanitary Dist., 946  
4 F.2d 870, 876 (Fed. Cir. 1991) ("The courts are the final arbiter  
5 of patent validity and, although courts may take cognizance of, and  
6 benefit from, the proceedings before the patent examiner, the  
7 question is ultimately for the courts to decide, without deference  
8 to the rulings of the patent examiner."). The legal conclusion as  
9 to obviousness is, of course, based on underlying factual  
10 determinations, including: "(1) the scope and content of the prior  
11 art; (2) the level of ordinary skill in the art; (3) the  
12 differences between the claimed invention and the prior art; and  
13 (4) the extent of any proffered objective indicia of  
14 nonobviousness, sometimes termed secondary considerations, such as  
15 commercial success, long felt but unresolved needs, and failures of  
16 others." Dystar Textilfarben GmbH v. C.H. Patrick Co., 464 F.3d  
17 1356, 1360 (Fed. Cir. 2006) (citing Graham v. John Deere Co., 383  
18 U.S. 1, 17-18 (1966)). Obviousness is evaluated on a "claim by  
19 claim" basis. Dystar, 464 F.3d at 1372.

20 The Supreme Court has recently observed that "[g]ranting  
21 patent protection to advances that would occur in the ordinary  
22 course without real innovation retards progress and may, in the  
23 case of patents combining previously known elements, deprive prior  
24 inventions of their value or utility." KSR International Co. v.  
25 Teleflex Inc., 127 S.Ct. 1727, 1741 (2007); see also John F. Duffy,  
26 Inventing Invention: A Case Study of Legal Innovation, 86 TEX. L.  
27 REV. 1, 12 (2007) ("The most important function of the  
28 nonobviousness doctrine is to prevent individuals from patenting

1 obvious, yet economically significant, responses to new conditions  
2 or 'exogenous' developments – i.e., developments achieved through  
3 some cause not attributable to the patent applicant's efforts.  
4 There is no good substitute for the nonobviousness doctrine in  
5 these circumstances."). "[A] patent composed of several elements  
6 is not proved obvious merely by demonstrating that each of its  
7 elements was, independently, known in the prior art." KSR, 127  
8 S.Ct. at 1741. However, "[t]he combination of familiar elements  
9 according to known methods is likely to be obvious when it does no  
10 more than yield predictable results." Id. at 1737. "If a person  
11 of ordinary skill can implement a predictable variation, § 103  
12 likely bars its patentability." Id. at 1740 (emphasis supplied).  
13 Further, KSR teaches that "a person of ordinary skill is also a  
14 person of ordinary creativity, not an automaton." Id. at 1742. A  
15 combination of elements may therefore be found obvious if that  
16 combination was "obvious to try."<sup>8</sup> Id. "[I]f a technique has been  
17 used to improve one device, and a person of ordinary skill in the  
18 art would recognize that it would improve similar devices in the  
19 same way, using the technique is obvious unless its actual  
20 application is beyond that person's skill." Id. at 1740.

21 The Court noted that:

22 [a]lthough common sense directs one to look with care at a  
23 patent application that claims as innovation the combination  
24 of two known devices according to their established functions,  
it can be important to identify a reason that would have

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25 <sup>8</sup>This holding overruled longstanding lower court precedent  
26 dating back to the 1960s. See Harold C. Wegner, Commentary, Making  
27 Sense of KSR and Other Recent Patent Cases, 106 MICH. L. REV. FIRST  
28 IMPRESSIONS 39, 41 (2007), available at  
<http://www.michiganlawreview.org/firstimpressions/vol106/wegner.pdf>  
.

1       prompted a person of ordinary skill in the relevant field to  
2       combine the elements in the way the claimed new invention  
3       does.

4       Id. at 1741. "[T]here must be some articulated reasoning with some  
5       rational underpinning to support the legal conclusion of  
6       obviousness." In re Kahn, 441 F.3d 977, 988 (Fed. Cir. 2006); see  
7       also KSR Int'l Co. v. Teleflex Inc., 127 S.Ct. 1727, 1741 (2007)  
8       ("To facilitate review, this analysis should be made explicit.")  
9       (citing Kahn, 441 F.3d at 988). A court should be wary of  
10       reasoning based on hindsight. See Graham, 383 U.S. at 36.

11       Nothing in KSR alters the statutory burden placed on the  
12       challenger of a patent: The patent challenger must make a factual  
13       showing of obviousness by clear and convincing evidence.  
14       PharmaStem Therapeutics, Inc. v. ViaCell, Inc., 491 F.3d 1342, 1360  
15       (Fed. Cir. 2007). At the same time, the Supreme Court emphasized  
16       in KSR that: "[t]he ultimate judgment of obviousness is a legal  
17       determination," 127 S.Ct. at 1745, and a conclusory expert  
18       affidavit therefore should not prevent summary judgment. Id.

19       "Once a prima facie case of obviousness has been established,  
20       the burden shifts to the applicant to come forward with evidence of  
21       nonobviousness to overcome the prima facie case." In re Huang, 100  
22       F.3d 135, 139 (Fed. Cir. 1996). The Federal Circuit has recently  
23       sought to clarify that under Federal Circuit law the burden on a  
24       challenger to a patent never changes even when the burden of  
25       production is shifted to the other party after the challenger puts  
26       forward a prima facie case of invalidity. Pfizer, Inc. v. Apotex,  
27       Inc., 480 F.3d 1348, 1359 (Fed. Cir. 2007) (quotations and  
28       citations omitted).



1           **The "TSM" Test**

2           Plaintiffs argue that this Court should apply the so-called  
3 TSM ("teaching, suggestion, motivation") test, and that KSR does  
4 not amount to a change, or at least a substantial change in the  
5 law. They assert that all of Defendants' arguments amount to  
6 improper reasoning grounded in hindsight.<sup>9</sup>

7           Although the Supreme Court noted in KSR that the Court of  
8 Customs and Patent Appeals had captured a "helpful insight" in  
9 adopting this test, id. at 1741, we do not agree with Plaintiffs'  
10 contention that the Supreme Court effectively endorsed the TSM  
11 test. Nor do we find the exact status of the test as a general  
12 matter to be of particular importance in this case. However,  
13 because parts of this case turn on the correct interpretation of  
14 KSR, we elaborate further on our understanding of KSR in this area.

15           Prior to KSR, it was "well-established that before a  
16 conclusion of obviousness may be made based on a combination of  
17 references, there must have been a reason, suggestion, or  
18 motivation to lead an inventor to combine those references."  
19 Pro-Mold and Tool Co., Inc. v. Great Lakes Plastics, Inc., 75 F.3d  
20 1568, 1573 (Fed. Cir. 1996). Although at oral argument in KSR  
21 justices of the Supreme Court strikingly called the "teaching,  
22 suggestion, and motivation" test "irrational," "gobbledygook," and  
23 "meaningless," (Justice Scalia), as well as "jargon" that is "worse

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24  
25           <sup>9</sup>See Duffy, Inventing Invention, supra, at 64-65 ("If the  
26 problem of hindsight were the only consideration relevant when  
27 applying obviousness, the best solution would be to abolish the  
28 doctrine entirely. All obviousness inquiries suffer from the  
possibility of hindsight bias because they are inherently  
retrospective.")

1 than meaningless" (Chief Justice Roberts),<sup>10</sup> the ultimate,  
2 unanimous decision in KSR suggested that the TSM test might be  
3 salvageable if the test was applied flexibly. 127 S.Ct. at 1743.  
4 The Court neither endorsed nor rejected the test, at least to the  
5 extent that it is applied flexibly and with appropriate deference  
6 to common sense.<sup>11</sup>

7 With this in mind, a summary of the errors the Supreme Court  
8 found in the Federal Circuit's application of the TSM test in KSR  
9 is instructive for this Court:

10 1. Very simply, the Federal Circuit had applied an overly  
11 rigid test. The rigidity had allowed an obvious patent  
12 to escape invalidation, which stifled rather than  
13 promoted progress. In applying a rigid test, "The Court  
14 of Appeals . . . drew the wrong conclusion from the risk  
15 of courts and patent examiners falling prey to hindsight  
16 bias." Id. at 1742.

17 2. Partly as a result of the rigid application of the  
18 test, the Federal Circuit had wrongly assumed the person  
19 of ordinary skill in the art would only consider prior  
20

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21 <sup>10</sup>See Hr'g Tr., KSR International Co. v. Teleflex, Inc., 04-  
22 1350, at 40-41, Nov. 28, 2006; Stephen G. Kunin & Andrew Beverina,  
23 Commentary, KSR's Effect on Patent Law, 106 MICH. L. REV. FIRST  
24 IMPRESSIONS 50, 51-52 (2007) ("Kunin and Beverina"), available at  
<http://www.michiganlawreview.org/firstimpressions/vol106/kuninbeverina.pdf>.

25 <sup>11</sup>Notably, the Court stated that "it can be important to  
26 identify a reason that would have prompted a person of ordinary  
27 skill in the relevant field to combine the elements in the way the  
28 claimed new invention does." KSR, 127 S.Ct. at 1741 (emphasis  
supplied). The implication is that there are, or at least might be  
cases where an invention is so obvious that it is not even  
necessary to delve into reasons to combine the prior art.

1 art designed to solve the same problem. KSR, 127 S.Ct.  
2 at 1740. Put another way, the person of ordinary skill  
3 had improperly been rendered an "automaton." Id. at  
4 1742. The Supreme Court held that: "the analysis need  
5 not seek out precise teachings directed to the specific  
6 subject matter of the challenged claim, for a court can  
7 take account of the inferences and creative steps that a  
8 person of ordinary skill in the art would employ." Id.  
9 at 1741. We note that Defendants are correct that  
10 Plaintiffs have studiously ignored this aspect of KSR.

11 3. Relatedly, the Federal Circuit had erroneously held  
12 that a claim to a purportedly novel combination cannot be  
13 obvious because it was "obvious to try," id. at 1742, and  
14 as a result, factfinders had been denied access to common  
15 sense. Id.

16 4. The Federal Circuit had wrongly found that a  
17 conclusory expert affidavit was sufficient to overcome  
18 summary judgment. Id. at 1745-46.

19 Following KSR, the Federal Circuit has been sensitive to the  
20 varying levels of relevance the TSM test has in different contexts.  
21 In Takeda Chemical Industries, Ltd. v. Alphapharm Pty., Ltd., 492  
22 F.3d 1350 (Fed. Cir. 2007), the circuit broadly held that a  
23 flexible version of the TSM test must be applied "in cases  
24 involving new chemical compounds." Id. at 1357. However, in other  
25 contexts, the Federal Circuit has not explicitly applied the test,  
26 and has emphasized that "[a]n obviousness determination [in the  
27 case of a combination of prior art] is not the result of a rigid  
28 formula disassociated from the consideration of the facts of a

1 case." Leapfrog Enters., Inc. v. Fisher-Price, Inc., 485 F.3d  
2 1157, 1161 (Fed. Cir. 2007) (modification supplied); see also id.  
3 at 1161 ("Accommodating a prior art . . . device . . . to modern  
4 electronics would have been reasonably obvious to one of ordinary  
5 skill in [the art]" because "[a]pplying modern electronics to older  
6 . . . devices has been commonplace in recent years."); In re  
7 Comiskey, 499 F.3d 1365, 1380 (Fed. Cir. 2007) ("The routine  
8 addition of modern electronics to an otherwise unpatentable  
9 invention typically creates a prima facie case of obviousness.").  
10 All this said, even before KSR the Federal Circuit had held that in  
11 some circumstances the "suggestion" to combine innovations "may  
12 . . . come from the nature of a problem to be solved. . . ."  
13 Pro-Mold and Tool Co., 75 F.3d at 1573; see also Alza Corp. v.  
14 Mylan Labs., Inc., 464 F.3d 1286, 1291 (2006).

## 15 16 **K. Obviousness Analysis**

### 17 **1. Scope and Content of the Prior Art**

18 As Defendants note and as Plaintiffs' expert on invalidity  
19 readily concedes, imagers, data storage, image processing, frame  
20 grabbers, and image converters all existed in the prior art. They  
21 are all used in the '647 patent's disclosure in a facially  
22 predictable manner. Neither the hardware nor the software to  
23 implement the invention was unknown. The patent itself actually  
24 mentions that the edge detection algorithm was "conventional."  
25 '647 Patent 6:20-21. In sum, the '647 patent is in substantial  
26 part the type of patent that triggers the concerns raised in KSR.  
27 Plaintiffs, however, argue that the invention was not obvious  
28 because the prior art did not disclose imaging a stacked pile of

1 chips, using generated predetermined chip representations, and edge  
2 detection of a stack of chips.

3 Although prior art appears to have disclosed counting stacked  
4 chips, the record does not indicate that prior art specifically  
5 disclosed imaging a stack of chips on a table from the side. The  
6 most significant patented prior art that Defendants cite is clearly  
7 the '187 patent, which states that it adopts "scanners now used in  
8 optical character recognition apparatus" to identify chips, and  
9 thus, again, arguably utilizes edge detection techniques to  
10 identify chips. Again, the embodiment described in that patent is  
11 vague. The '647 patent also cites as prior art the '392 patent  
12 (Merton), which identifies coins by the marks on their sides and  
13 compares observations to stored representations (which it terms  
14 "fingerprinting").<sup>12</sup>

15 Plaintiffs object to the scope of the prior art that  
16 Defendants have cited, and at oral argument Plaintiffs argued that  
17 KSR is distinguishable because the holding of that case should be  
18 limited to cases where the combination is "specific," or of "two  
19 known devices." See KSR, 127 S.Ct. at 1741. The argument verges  
20 on bizarre. As a point of reference, Defendants properly recite  
21 and emphasize the facts of KSR. There, the patent at issue  
22 disclosed "a position-adjustable pedal assembly with an electronic  
23 pedal position sensor attached to the support member of the pedal  
24 assembly. Attaching the sensor to the support member allows the  
25 sensor to remain in a fixed position while the driver adjusts the

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26  
27 <sup>12</sup>See also U.S. Patent No. 5,494,147 (describing "a coin  
28 discriminating apparatus for discriminating coins by optically  
detecting coin surface patterns.").

1 pedal." 127 S.Ct. at 1737 (quoting the district court). The prior  
2 art included at least six patents that the Supreme Court  
3 considered: U.S. Patent 5,010,782, a structure for housing an  
4 adjustable mechanical brake pedal that had a fixed pivot point;  
5 U.S. Patent 5,460,061, a sliding brake mechanism that allowed both  
6 the pedal and the pivot point to be adjusted; U.S. Patent  
7 5,241,936, a pedal with an electronic sensor on a pivot point in  
8 the pedal assembly; U.S. Patent 5,063,811, a sensor on a fixed part  
9 of the pedal assembly rather than on the pedal's footpad; U.S.  
10 Patent 5,819,593, an adjustable pedal assembly with an electronic  
11 sensor for detecting the pedal's position; U.S. Patent 5,385,068, a  
12 modular sensor, designed independently, that can be taken off the  
13 shelf and attached to mechanical pedals of various sorts. See 127  
14 S.Ct. at 1735-36. The Supreme Court held that the prior art fit  
15 together like "pieces of a puzzle," id. at 1742, and it is quite  
16 clear that the Court saw no significance in the number or pieces.  
17 Indeed, an abundance of relevant prior art does not itself detract  
18 from the likelihood that an innovation is obvious.

## 20                   2.     Differences Between the Prior Art and the Claims at 21                   Issue

22             The '647 patent discusses the Storch and Fisher patents,  
23 noting that a key difference between the '647 patent and the prior  
24 art is that the disclosure in the '647 patent utilizes neither  
25 identifying markings nor a reading device in which the chips would  
26 be housed. '647 Patent 1:47-65. To some extent, Defendants'  
27 citation to these patents arises out of Plaintiffs' attempt to  
28 recapture what was previously disclaimed. However, the Storch and

1 Fisher patents are different from the '647 patent in the manner  
2 that is discussed by the '647 patent's specification.

3 Plaintiffs argue that the prior art cited by Defendants does  
4 not identify chip edges of stacked chips and the utilization of  
5 predetermined chip representations. Again, this appears to be  
6 debatable with respect to the '187 patent. If one considers  
7 machine vision techniques with respect to disc-like objects,  
8 however, it is indisputable that edge detection had been used to  
9 identify like objects, and further, that predetermined  
10 representations had been used as a computational strategy.

11 What we are left with are really two questions: (1) what  
12 exactly does the '187 disclose, and (2) whether the specific  
13 application of these techniques was obvious in this context.  
14 Unlike KSR, the '647 patent involves the importation of  
15 "conventional" image processing techniques from one field, image  
16 processing, into another field, casino surveillance.<sup>13</sup> Thus, the  
17 level of ordinary skill in the art is the most significant factor  
18 to be considered in evaluating whether this patent is obvious. See  
19 127 S.Ct. at 1740 ("[I]f a technique has been used to improve one  
20 device, and a person of ordinary skill in the art would recognize  
21 that it would improve similar devices in the same way, using the  
22 technique is obvious unless its actual application is beyond that  
23 person's skill.") (emphasis supplied).

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25  
26  
27 <sup>13</sup>This must be the operating assumption for the purposes of  
28 summary judgment, but this Court has some doubts. Many of the  
inventors in this case do not exclusively work on casino systems.

### 3. Level of Ordinary Skill in the Art

Plaintiffs expert on invalidity, John Strisower, agrees with Defendants' expert, Dr. Trevor Darrell, that a highlight of the ordinary skill in the art was a knowledge of computing and image processing techniques rather than a mere knowledge of gaming or, for example, the geometry of blackjack tables. (Strisower Depo. 27-28, Ex. 41 to Smith Decl. (#582).) Defendants assert that Plaintiffs are incorrect in requiring a background in player tracking systems, but note that this Plaintiffs' position actually helps Defendants' case, as the more skill that is present in the art, the more likely it is that the purported innovation would be obvious. Conversely, Strisower disagrees with Dr. Darrell insofar as Dr. Darrell concludes that one with ordinary skill in the art would have had two years of computer vision or image processing experience. As Defendants point out, the basis for this disagreement illustrates the nature of the patent: Strisower claims that in depth image processing experience and knowledge was simply unnecessary because the inventor would only have needed to utilize already developed image processing systems and techniques. (Strisower Depo. 142-43, Ex. D to Pallios Decl. (#873).)

### 4. Licensing by Others

Licensing by others is a secondary consideration that may be considered in establishing whether a patent is obvious. Defendant MindPlay attempted to purchase the Trak-21 system, including all existing hardware and Trak-21 systems, contracts and assignments, and intellectual property (copyrights, trademarks, and patents)



1 related to the Trak-21 system for \$150,000 in September 2002. (Ex.  
2 17 to Pallios Decl. (#691).) Strictly speaking, Plaintiffs'  
3 assertion that MindPlay attempted to obtain a license is  
4 inaccurate, but the attempt to purchase the system could  
5 conceivably be indicative of nonobviousness. In addition, Shuffle  
6 Master and IGT have both acquired 50% interests in the patent.

7 Taken on their own, these fact prove very little because there  
8 is no evidence in the record as to why Shuffle Master and IGT  
9 bought their interests and why Mindplay sought to purchase the  
10 Trak-21 system. See In re Huang, 100 F.3d at 140 (due to the  
11 requirement of a "nexus," "success is relevant in the obviousness  
12 context only if there is proof that the sales were a direct result  
13 of the unique characteristics of the claimed invention - as opposed  
14 to other economic and commercial factors unrelated to the quality  
15 of the patented subject matter.").

## 16

### 17 **5. Long-Felt but Unmet Need**

18 The existence of long-felt but unmet need to solve a  
19 particular problem can also be relevant to obviousness. The  
20 parties are in agreement that, in general, there was a long-felt  
21 need for improvements in automated casino monitoring systems.  
22 Plaintiffs have not addressed, however, Defendants' contention that  
23 Trak-21, the commercial embodiment of the '647 patent, was not a  
24 commercial success. It undisputed that not a single Trak-21 system  
25 ever sold. (Misslin Depo., Ex. S to Darrell Decl. (#870).)

26 The evidence of long-felt need can cut two ways: On the one  
27 hand, long-felt need might be considered evidence of non-  
28 obviousness, but on the other hand, to the extent that other

1 factors support obviousness, the existence of "market pressure to  
2 solve a problem" can support a finding of obviousness where there  
3 are a finite number of possible solutions. KSR, 127 S.Ct. at 1742.  
4 As Defendants argue, there was clearly a motivation to try the  
5 limited possibilities for utilizing image processing to track  
6 chips.

7 While we are mindful that inferences must benefit the non-  
8 moving party, there were very clearly finite solutions towards  
9 analyzing the problem, and there is no evidence that the '647  
10 patent directly met the long-felt needs of the gaming industry.  
11 The Court concludes that the long-felt need for casino surveillance  
12 is not indicative of non-obviousness.

## 13 14 **6. Alleged Copying**

15 Plaintiffs make the allegation that Defendants copied the '647  
16 patent in creating their own system. There is no evidence to  
17 support this claim, and the claim is controverted by the developers  
18 of the MP21 system. The Federal Circuit has held:

19 Not every competing product that arguably [falls] within the  
20 scope of a patent is evidence of copying. Otherwise every  
21 infringement suit would automatically confirm the  
nonobviousness of the patent. Rather, copying requires the  
replication of a specific product.

22 Iron Grip Barbell Co., Inc. v. USA Sports, Inc., 392 F.3d 1317,  
23 1325 (Fed. Cir. 2004) (modified to correct typographical error). A  
24 bare allegation of infringement of a patent is not sufficient to  
25 overcome summary judgment on invalidity.

## 26 27 **7. Summary**

28 Identifying the edges of chips stacked on a table is clearly

1 one of a finite number of possibilities for identifying chips on a  
2 table through image processing, KSR, 127 S.Ct. at 1742, and the  
3 patent itself explicitly states that the image processing  
4 techniques applied were "conventional" at the time. '647 patent  
5 6:21. Further, Strisower's testimony indicates that the solution  
6 disclosed by the '647 patent was within the technical grasp of the  
7 person of ordinary skill in the art. Defendants argue that  
8 Plaintiffs, like the patentee in KSR, "have taken the invention of  
9 someone else – image processing techniques – and deprived skilled  
10 persons from using those techniques in the casino context."

11 (Def.s' Supp. Points and Authorities re the Effect of KSR on the  
12 Parties' Pending Summ. J. Mot.s (#869) 21.) The Court agrees.

13 While Plaintiffs are correct that image processing is not  
14 necessarily the only solution to the problem that Fishbine  
15 approached, this does not support the conclusion that Fishbine's  
16 utilization of image processing was not obvious in light of the  
17 skill in the art. Id. at 1740. A development in the area of jet  
18 planes is not non-obvious merely because prop planes exist.

19 Because it is undisputed that one with ordinary skill in the  
20 art would have a knowledge of image processing, the issue of  
21 whether Defendants are entitled to summary judgment is quite close.  
22 However, Defendants put substantial reliance on the '187 patent  
23 both for the purposes of anticipation and for obviousness. The  
24 scope of that patent and its disclosure is disputed, and we have  
25 noted that the patent is also at least arguably vague with respect  
26  
27  
28

1 to the means apparently utilized to count chips.<sup>14</sup> Ultimately, the  
2 Court finds that summary judgment cannot be afforded to Defendants  
3 in their claim that the '647 patent is obvious because there is a  
4 material dispute about the nature and scope of the disclosures in  
5 the most relevant prior art.

6  
7 **II. Defendants' Motion for Summary Judgment of Non-Infringement**  
8 **and Invalidity of U.S. Patent No. 6,313,871 (#566, corrected**  
9 **#743)**

10 Oliver Schubert filed his patent application on February 19,  
11 1999, and the PTO issued U.S. Patent No. 6,313,871 ('871) on  
12 November 6, 2001. Unlike the '647 patent, the '871 patent does not  
13 describe any particular method of image processing. Instead, the  
14 patent deals with the physical layout of a video monitoring system  
15 with respect to a gaming table, and the collection of video  
16 information related to the game. The patent has a total of  
17 seventy-one claims, with four independent claims (claims 1, 19, 39,  
18 and 43). Claim 1 generally discloses a gaming table, a "volume of  
19 space" extending from the upper or lower surface of the table, and  
20 a video camera with a line of sight less than about 45 degrees from  
21 the upper surface. Claims 19 and 43 disclose a sensor for  
22 activating and deactivating a video camera that collects video  
23 information related to the game. Claim 39 discloses a frame

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24 <sup>14</sup>Establishing the scope of the '187 patent is at least akin  
25 to claim construction, but at oral argument both parties submitted  
26 that determining the inherent disclosures in that patent was a  
27 question of fact. So too is the determination of whether the '187  
28 actually enables what it claims, which in turn affects the extent  
to which it is relevant for the purposes of obviousness. Cf. 35  
U.S.C. § 112, ¶ 1; Sitrick v. Dreamworks, No. 2007-1174, 2008 U.S.  
App. LEXIS 2251 (Fed. Cir. Feb. 1, 2008, revised Feb. 5, 2008).

1 coupled to the gaming table, which is capable of housing video  
2 cameras under a supported chip tray.

3 Defendants argue that the MP21 does not infringe the '871  
4 patent. Alternatively, Defendants argue that the '871 patent is  
5 invalid. The parties have briefed at length the issues of whether  
6 the MP21 system infringes: (1) the "video camera" and "video  
7 information" limitations (all claims); (2) the "sensors sensing  
8 predetermined events" limitations (claims 19 and 43, independent  
9 claim 44); (3) the "frame" limitations (claim 39); (4) the "imagers  
10 in the volume of space" limitation (claim 1); and (5) the focal  
11 point "on" the lens limitation (claim 1); and (6) the methods  
12 claims (claims 43, 44, and 45).

13 For the reasons set out below, Defendants' invalidity argument  
14 is dispositive, and it is not necessary for the Court to address  
15 the parties' infringement arguments. However, the Court has  
16 carefully considered all of the parties' numerous arguments, and  
17 will briefly note that Defendants would be entitled to partial  
18 summary judgment of non-infringement to the extent that the MP21  
19 system utilizes a frame rate of 1 frame per 1.1 seconds. Further,  
20 Plaintiffs have failed to meet their burden of production of  
21 showing that the system, as currently implemented, utilizes a  
22 higher frame rate; indeed, Plaintiffs' counsel has been  
23 inconsistent on this issue. The frame rate is rather obviously not  
24 peripheral to the nature of video as a technology, and nothing in  
25 the Court's claim construction order would permit a technology that  
26 utilizes a series of individually identifiable, non-moving images –  
27 at best, analogous to recording a slide show that is apparently  
28 never played as such – to be construed as falling within the "video

1 camera" and "video information" limitations of the '871 patent.  
2 The relevant frame rate is the rate implemented, not the frame rate  
3 that could be implemented in a different system. Plaintiffs' best  
4 argument sounds in the doctrine of equivalents, but the Court  
5 agrees with Defendants that the all elements rule, DePuy Spine,  
6 Inc. v. Medtronic Sofamor Danek, Inc., 469 F.3d 1005, 1017 (Fed.  
7 Cir. 2006), simply cannot allow the distinction between video and  
8 non-video cameras to entirely disappear where the patentee chose to  
9 use the word video. The Court will express no other opinion  
10 regarding the parties respective infringement arguments.

#### 11 12 **A. Anticipation**

13 Defendants argue that '871 patent is anticipated by both by  
14 the '647 patent and by its embodiment, the Trak-21 system.  
15 Defendants assert that the '647 patent discloses "use of video  
16 cameras to image chips on a gaming table," which it does.  
17 Defendants also assert that the '647 patent discloses a side view  
18 of a stack of chips, which it clearly does. Figure 2 from the '647  
19 patent is shown in Appendix B. Defendants claim that placing  
20 cameras in the "volume of space" within the perimeter of the table  
21 is inherently disclosed by the angle of the camera, since the line-  
22 of-sight would otherwise be obstructed. Discerning the precise  
23 angle of the camera, which is referenced in the '871 patent, is not  
24 possible. Cf. Hockerson-Halberstadt, Inc. v. Avia Group Intern.,  
25 Inc., 222 F.3d 951, 956 (Fed. Cir. 2000) (as a matter of claim  
26 construction, "patent drawings do not define the precise  
27 proportions of the elements"). In any case, nowhere is there any  
28 discussion or suggestion in the '647 patent of the perils of remote

1 placement. Defendants' arguments are well taken in the context of  
2 obviousness, but there are genuine issues of material fact with  
3 respect to Defendants' arguments based on anticipation.

4 Defendants also argue that the first generation of Trak-21,  
5 developed by Digital Biometrics, anticipated claims 19 and 43 of  
6 the '871 patent. Claims 19 and 43 require video cameras in  
7 "proximity" to the gaming table. Plaintiffs point out that the  
8 cameras in that system were not in the "volume of space" of the  
9 gaming table as that term is defined by claim 1. Defendants do not  
10 appear to be arguing that they were. Plaintiffs also assert that  
11 there is no evidence that the first generation of Trak-21 had  
12 sensors that sensed activities on the gaming table and activated  
13 video cameras. (Anderson PTO Decl. ¶¶ 4-8, Ex. 4 to Hedman Decl.  
14 (#691).)<sup>15</sup>

15 In sum, there are genuine issues of material fact as to  
16 whether Trak-21 anticipated the '871 patent.

#### 17 18 **B. Obviousness**

19 Defendants also argue that the '871 patent is obvious in light  
20 of prior art. The parties appear to agree that the ordinary skill  
21 in the art would be the same with this patent as it was with the  
22 '647 patent.

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23  
24  
25  
26 <sup>15</sup>Defendants argue that the concession that the Trak-21 foot  
27 switch is not a sensor is a concession that the touch screen in the  
28 MP21 system is not a sensor. However, in any case, Plaintiffs have  
abandoned the argument that the MP21 touch screen is a sensor.

1                   **1.     Scope and Nature of the Prior Art**

2           There is no reasonable dispute that all of the individual  
3 elements of the '871 patent were known in the prior art.<sup>16</sup> As the  
4 '187 and '647 patents demonstrate, video cameras were used for  
5 table monitoring. As the '647 patent demonstrates, the use of  
6 cameras not embedded in the casino ceiling had been disclosed. So  
7 too had the use of cameras to provide a side view of chips on the  
8 table. The use of sensors of various sorts to detect game play had  
9 been disclosed by numerous patents. See U.S. Patents Nos.  
10 4,814,589; 5,283,422; 5,586,936; 5,651,548; 5,831,527; 5,735,742.  
11 Activating cameras based upon a sensor had been disclosed. U.S.  
12 Patent Nos. 5,651,548, 5,831,527, 5,735,742. Perhaps the only  
13 element of the invention disclosed in the '871 patent that does not  
14 appear in the prior art cited by the parties is the "frame," which  
15 in any case is only relevant in the patent as a means of locating  
16 the camera, and which was also a limitation that Plaintiffs' expert  
17 explicitly acknowledged was obvious. (Strisower Depo. 67-68, Ex.  
18 41 to Smith Decl. (#582).)

19           In sum, this is exactly the type of combination patent that  
20 KSR discusses.<sup>17</sup>

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21  
22           <sup>16</sup>Plaintiffs object that Defendants have cited U.S. Patent  
23 Nos. 6,154,131 and 6,165,069, but that those patents are not prior  
24 art to the '871 patent. It is not necessary to consider these  
patents to resolve this motion.

25           <sup>17</sup>When Strisower was asked at his deposition if the  
26 combination of elements in the independent claims yielded "any  
27 unpredictable results" to one skilled in the art at the time,  
28 Strisower answered "I can't think of what the unpredictable results  
would be." (Strisower Depo. 127-130, Ex. D to Roberts Decl.  
(#873).)



## 2. Difference Between Prior Art and the Claims at Issue

It is clear that the '871 patent is in substantial part an attempt to patent the position of cameras with respect to the gaming table. Virtually all of the claims address the positioning of the video camera, and Plaintiffs also place particular emphasis on camera positioning in distinguishing the prior art. The additional disclosure in the '871 patent is the usage of a sensor to turn cameras on and off, but there is little difference, and certainly no non-obvious difference, between the sensor disclosure in the '871 patent and the prior art.

Defendants' observation that the re-positioning of the video cameras in the '871 patent is a thin reed to rely upon for non-obviousness is clearly correct. First, the '647 patent already made clear that the cameras need not be located in the ceiling. Second, to a large extent, the notion that one moves a camera until one gets the desired view without obstructions is simply common sense.<sup>18</sup> Hidden cameras were not new, nor were modifications to the chip tray. Third, Plaintiffs' expert, Dr. Castleman, is notably in agreement with Defendants' conclusion that the positioning of the cameras is obvious. He frankly stated:

as far as what the MP21 System does and how it does it and as far as what the claims of the '871 patents describe, I think that the location of the cameras is, in both cases, pretty

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<sup>18</sup>For example, the '871 patent claims numerous angles for the line of sight of the cameras. Despite an assault of "asked and answered" objections from Plaintiffs' counsel, Strisower testified that the '647 patent simply did not need to disclose the angle it used to obtain an image of stacked chips because this could be obtained through "trial and error." (Strisower Depo. 100, Ex. D to Roberts Decl. (#873) and Ex. 3 to Hedman Decl. (#862).)

1 much where they need to be. It's sort of an obvious proper  
2 place to put the cameras for this particular system.  
3 (Castleman Depo. 211, Ex. 15 to Smith Decl. (##582, 604).) The  
4 point was also made by Attila Grauzer, an employee of Shuffle  
5 Master, who stated that the location of the cameras "in front of  
6 the chip tray . . . was an obvious choice" in connection with  
7 Shuffle Master's similar system. (Grauzer Depo. 77:6-7, Ex. 11 to  
8 Smith Decl. (##582).) Plaintiffs make no substantive argument that  
9 the camera position would not have been "obvious to try." In sum,  
10 the problem of avoiding obstacles to the cameras and obtaining a  
11 clear picture, insofar as it needed to be addressed by the '647  
12 patent, suggested its own solution.

### 13 3. Secondary Considerations

14 In light of the strong showing of obviousness, the burden is  
15 on Plaintiffs to produce evidence of secondary considerations that  
16 would rebut the prima facie case. In re Huang, 100 F.3d at 139.  
17 Plaintiffs' rely on the length of time it took to develop Trak-21  
18 and on their allegations that Soltys and Huizinga copied Schubert's  
19 invention.

20 Relying on Strisower's report, Plaintiffs place a great deal  
21 of emphasis on the length of time that the developers of the Trak-  
22 21 system took in repositioning the cameras in that system. The  
23 role of the length of the design inquiry was addressed in Calmar,  
24 Inc. v. Cook Chemical Company, a companion case reported in Graham  
25 v. John Deere Company. 383 U.S. at 26-37. Calmar also dealt with  
26 the problem of a combination of prior art, and specifically, it  
27 dealt with "a finger-operated sprayer with a 'hold-down' cap of the  
28

1 type commonly seen on grocers' shelves inserted in bottles of  
2 insecticides and other liquids prior to shipment." 383 U.S. at  
3 687. The patentee "stress[ed] the long-felt need in the industry  
4 for such a device; the inability of others to produce it; and its  
5 commercial success," 383 U.S. at 29, all of which the patentee  
6 argued supported non-obviousness. The record supported that there  
7 was, in fact, both long-felt need and commercial success and the  
8 Court of Appeals "found validity in the 'novel 'marriage' of the  
9 sprayer with the insecticide container' which took years in  
10 discovery and in 'the immediate commercial success' which it  
11 enjoyed." Id. at 30.

12 The Supreme Court reversed. Addressing contemporary  
13 commentary regarding the role of courts in patent cases, the Court  
14 essentially concluded that courts should seriously weigh secondary  
15 factors but not take their eyes off the ball:

16 These legal inferences or subtests [i.e., long-felt need and  
17 commercial success] do focus attention on economic and  
18 motivational rather than technical issues and are, therefore,  
19 more susceptible of judicial treatment than are the highly  
20 technical facts often present in patent litigation. Such  
21 inquiries may lend a helping hand to the judiciary which, as  
22 Mr. Justice Frankfurter observed, is most ill-fitted to  
23 discharge the technological duties cast upon it by patent  
24 legislation. They may also serve to guard against slipping  
25 into use of hindsight, and to resist the temptation to read  
26 into the prior art the teachings of the invention in issue.  
27 [ ¶ ] However, these factors do not, in the circumstances of  
28 this case, tip the scales of patentability. The Scoggin  
invention, as limited by the Patent Office and accepted by  
Scoggin, rests upon exceedingly small and quite non-technical  
mechanical differences in a device which was old in the art.

Graham, 383 U.S. at 35-36 (citations and quotations omitted;  
modification supplied); see also KSR, 127 S.Ct. at 1738, 1745-46  
(affirming summary judgment despite the presence of commercial  
success); Leapfrog, 485 F.3d at 1162 ("substantial evidence of

1 commercial success, praise, and long-felt need" was inadequate  
2 "given the strength of the prima facie obviousness showing"); Sandt  
3 Technology, Ltd. v. Resco Metal and Plastics Corp., 264 F.3d 1344,  
4 1355 (Fed. Cir. 2001) (affirming grant of summary judgment where  
5 secondary consideration of commercial success was insufficient in  
6 light of Graham analysis).

7 As in Calmar, the positioning of the cameras presents a  
8 largely non-technical, and ultimately, small difference between the  
9 patent and the prior art. If the proximity to the table was not  
10 explicitly disclosed by the '647 patent, this was not a technical  
11 leap. Similarly, it is clear that one with skill in the art would  
12 use "trial and error," as Strisower puts it, until he or she found  
13 the positioning of the cameras on the table that worked.

14 Plaintiffs also argue that evidence that the inventors of the  
15 Mindplay patents copied Schubert's innovation is indicative of non-  
16 obviousness. There are genuine issues of material fact regarding  
17 whether this took place. However, the purpose of considering  
18 copying as a secondary consideration in the context of obviousness  
19 is not to read the law of trade secrets into patent law. Rather,  
20 "copying" can in some circumstances be more or less analogous to  
21 commercial success. It can indicate acclamation and the adoption  
22 of a solution to a problem by an industry. The problem with  
23 Plaintiffs' theory is that the alleged copying is not probative of  
24 non-obviousness in this case when the prior art is considered in  
25 light of the Graham factors. Graham, 383 U.S. at 35-36; see In re  
26 GPAC, 57 F.3d 1573, 1580 (Fed. Cir. 1995) ("[M]ore than the mere  
27 fact of copying by an accused infringer is needed to make that  
28 action significant to a determination of the obviousness issue.");

1 see also Ecolochem, Inc. v. Southern California Edison Co., 227  
2 F.3d 1361, 1380 (Fed. Cir. 2000).

#### 3 4 **4. Summary**

5 The Supreme Court's broadest teaching in KSR is directly on  
6 point and must be emphasized:

7 We build and create by bringing to the tangible and palpable  
8 reality around us new works based on instinct, simple logic,  
9 ordinary inferences, extraordinary ideas, and sometimes even  
10 genius. These advances, once part of our shared knowledge,  
11 define a new threshold from which innovation starts once more.  
12 And as progress beginning from higher levels of achievement is  
13 expected in the normal course, the results of ordinary  
14 innovation are not the subject of exclusive rights under the  
15 patent laws. Were it otherwise patents might stifle, rather  
16 than promote, the progress of useful arts. See U.S. Const.,  
17 Art. I, § 8, cl. 8.

18 KSR, 127 S.Ct. at 1746 (emphasis supplied). In light of the '187  
19 patent and the disclosure in the '647 patent disclosed that stacks  
20 of chips could be analyzed from the side, the remaining work could  
21 not reasonably be considered anything beyond "ordinary innovation,"  
22 and to find otherwise would be to render the person with ordinary  
23 skill in the art an automaton. Accordingly, summary judgment must  
24 be granted to Defendants on the issue of the invalidity of the '871  
25 patent. The parties' cross-motions dealing with the failure to  
26 Join William Florschuetz as a co-inventor (##575, 672) will be  
27 denied as moot.

#### 28 **V. Plaintiff Shuffle Master's Motion for Summary Judgment of Invalidity of the Asserted Claims of U.S. Patent Nos. 6,517,436 and 6,520,857 (#577) and Defendants' Motion for Summary Judgment of Plaintiffs' Counts I-III of Counterclaims for Interference (#572)**

29 In their counterclaims to Defendants' counterclaims for  
30 infringement, Plaintiffs allege that three patents owned by

1 MindPlay – U.S. Patent Nos. 6,517,436 ('436), 6,520,857 ('857),  
2 6,530,836 ('836) – interfere with the '871 patent. (P.s' Fourth  
3 Amended Reply to D.s' Counterclaims to First Amended Complaint for  
4 Patent Infringement and Affirmative Defenses and Counterclaims in  
5 Reply Thereto (#556).) Plaintiffs' motion for summary judgment  
6 asserts that summary judgment should be granted with respect to the  
7 '436 and '857 patent. Specifically, Plaintiffs seek summary  
8 judgment that claims 1, 2, 5, 8, 9 and 15 of the '436 patent, and  
9 claims 1 through 3, 11, and 14 of the '857 patent interfere with  
10 claims 5, 6, 39, and 67 of the '871 patent, and that the '871  
11 patent has the earlier priority date.

12 Defendants' motion for summary judgment, on the other hand,  
13 seeks summary judgment that there is no interference with any of  
14 the three MindPlay patents. Defendants' motion flows entirely from  
15 evidentiary objections, and the assertion that there is "no  
16 evidence" to support Plaintiffs' claims. Notwithstanding  
17 Defendants' proper evidentiary objection with respect to Carmichael  
18 and the conclusory nature of Strisower's expert opinion on the  
19 issue of interference, it is simply cavalier to assert that there  
20 is "no evidence" of interference. The patents themselves are  
21 constitute the most probative evidence regarding interference in  
22 this case. See Avia Group Intern., Inc. v. L.A. Gear California,  
23 Inc., 853 F.2d 1557, 1562 (Fed. Cir. 1988) ("a judge may decide the  
24 legal issue of validity unaided by expert opinion"). In any case,  
25 because the '871 patent is invalid, the motions for summary  
26 judgment based on the interference claims are moot.

27 Although the interference claims are moot, Plaintiffs' motion  
28 also seeks summary judgment that the '871 patent and the third

1 generation of the Trak-21 system, developed as a joint venture  
2 between Digital Biometrix and Lakes Gaming, anticipates the same  
3 two MindPlay patents ('436 and '857). In their supplemental  
4 briefing related to the effects of KSR on this case, Plaintiffs  
5 more broadly argue that the '436 and '857 patents are obvious.

6 The '436 and '857 patents stem, as do several other related  
7 patents, from the same provisional application. Generally, the  
8 disclosure in the specification of these patents is of a  
9 comprehensive system for monitoring playing and wagering. The  
10 components disclosed in the specification are, broadly, a card deck  
11 reader, a chip tray reader, a table monitoring system, an automatic  
12 drop box that verifies the amount and authenticity of deposits, and  
13 an automated computer system that uses the other components to  
14 "monitor the habits of players and the performance of employees."  
15 '436 and '857 Patents 2:16-61. The claims in the '436 and '857  
16 system pertain only to the table monitoring system. The embodiment  
17 of this system disclosed in the specification utilizes nine CMOS  
18 sensors, like the sensors in the MP21 system, which are positioned  
19 in the chip tray to monitor both the chips and cards at play on the  
20 table. Id. at 9:30-10:13.

21 Plaintiffs' invalidity argument relies in part on Plaintiffs'  
22 contention that the Trak-21 system and the '871 patent are prior  
23 art to the '436 and '857 patents. The applications were co-  
24 pending, but the '871 patent application was the first filed. The  
25 parties dispute whether Plaintiffs have met their burden of showing  
26 that '871 patent is prior art under section 102(g)(2) to the '436  
27 and '857 patents. Similarly, the parties dispute whether  
28 Plaintiffs have met their burden of showing the Trak-21 system is

1 prior art to the '871 system.

2 As summarized by Professor Chisum:

3 The junior party bears the burden of going forward with  
4 evidence as to actual reduction to practice prior to the  
5 senior party's filing date or conception prior to the senior  
6 party's filing date plus continuous and reasonable diligence  
7 during the critical period. If the senior party desires to  
8 show a date of conception or reduction to practice prior to  
his filing date, he bears the burden of going forward with  
evidence. . . . The ultimate burden of persuasion remains on  
the junior party or parties in an interference as to all  
issues of fact relevant to priority of conception and  
reduction to practice.

9 3A-10 Donald Chisum, Chisum on Patents § 10.09 (2006). The '871  
10 patent application was the first filed, and the Court could easily  
11 find on this record that Defendants have failed to meet their  
12 burden of producing evidence of a priority date earlier than the  
13 filing date for the '436 and '857 patents. However, Plaintiffs  
14 have accepted, at least for the purposes of summary judgment,  
15 Defendants' interrogatory response stating that the conception of  
16 the '436 and '857 patents was from "August 1998 to January 1999."  
17 (Ex. F to Bregenzer Decl. (#583).)

18 In arguing that the conception of the '871 patent precedes  
19 August 1998, Plaintiffs first rely upon this Court's Order (#534)  
20 of July 17, 2006, which granted partial summary judgment "that  
21 Robert Mouchou received Schubert's putative trade secrets during  
22 his negotiations with Schubert." The key events with respect to  
23 Mouchou and Schubert's interactions were a demonstration that  
24 occurred in August 1997 and a joint venture proposal that Schubert  
25 faxed to Mouchou in July 1997. Trade secrets were revealed to  
26 Mouchou, but there are genuine issues of material fact regarding  
27 what occurred at this meeting. It was not the intention of the  
28 Court to make any factual finding regarding "Appendix A" to



1 Plaintiffs' motion (P.s' Mot. for Partial Summ. J. (#319)), which  
2 was, of course, not a document that was exchanged between Schubert  
3 and Mouchou. The Court now clarifies that purported trade secrets  
4 were disclosed, but that the Court did not find that the substance  
5 of the '871 patent had been disclosed in its entirety to Mouchou.  
6 As Defendants note, Plaintiffs had affirmatively argued that this  
7 could not have been the case,<sup>19</sup> and Mouchou stated that the system  
8 that Schubert had demonstrated was "vapor ware." The Court's Order  
9 (#534) of July 17, 2006 does not establish the date of conception  
10 of the '871 patent.

11 Turning then to the evidence that was before the PTO and is  
12 now before the Court, Schubert's affidavit appeared to claim a  
13 conception and priority date as early as 1995. (Ex. H to Bregenzner  
14 Decl. (#583).) In light of the contents of Schubert's earliest  
15 emails to Florschuetz in 1995, this claim to the PTO was nothing  
16 short of far-fetched. Further, the redactions of the dates from  
17 the emails between Schubert and Florschuetz facially suggests an  
18 attempt to deceive the PTO regarding the actual timeline of  
19 conception and reduction to practice. Nevertheless, the unredacted  
20 correspondence makes it quite clear that Schubert had conceived of  
21 placing the cameras in the front of a modified chip tray by  
22 February 3, 1997. (Ex. Q to Bregenzner Decl. (#583).) Defendants  
23

---

24 <sup>19</sup>Plaintiffs argued at some length in opposing Defendants' "on  
25 sale bar" summary judgment motion both that the prototype that had  
26 been demonstrated "lacked many of the limitations that  
27 characterizes the claimed invention," and further, that "*many of  
28 the concepts claimed in the '871 patent were not even conceived  
until after the July 1997 demonstration.*" (P.s' Opp. to Def.s'  
Mot. for Summ. J. of Invalidity of U.S. Patent No. 6,313,871 (#318)  
8) (emphasis supplied).

1 also assert that there are issues of fact surrounding Schubert's  
2 diligence. The "basic inquiry" with respect to diligence is  
3 "whether there was reasonably continuing activity to reduce the  
4 invention to practice." Brown v. Barbacid, 436 F.3d 1376, 1380  
5 (Fed. Cir. 2006). In light of the email correspondence submitted  
6 to the PTO and Schubert's subsequent preparation of his patent  
7 application, both Schubert and Florschuetz's continuity of work on  
8 the invention and the relevant landmarks in that work have been  
9 established. See 3A-10 Chisum on Patents § 10.07 & n.4 ("diligence  
10 is a stringent standard" and "[e]vidence which is of a general  
11 nature to the effect that work was continuous and which has little  
12 specificity as to dates and facts does not constitute the kind of  
13 evidence required to establish diligence in the critical period.")  
14 (quoting Hunter v. Beissbarth, 230 USPQ 365, 368 (Bd. Pat. App. &  
15 Int'l 1986)). The Court thus finds that Schubert's diligence is  
16 beyond reasonable dispute.

17 We will briefly note that the issue of whether Trak-21 can be  
18 considered prior art to the '436 and '857 patents involves genuine  
19 issues of material fact. Anderson's declaration states that  
20 Anderson worked for Digital Biometrics, that he hired Bryant  
21 Scheffe as a consultant in December 1997 or January 1998, and that  
22 Scheffe had the idea of placing cameras in the chip tray within a  
23 few months. (Anderson PTO Decl. ¶ 15, Ex. D to Hedman Decl.  
24 (#584).) The corroborating slides from two presentations, which  
25 are attached to Anderson's PTO declaration as "tab 13," "tab 14,"  
26 and "tab 15", show that the invention was certainly conceived by  
27 July 7, 1998. Presentation slides, dated August 26, 1998, also  
28 indicate that a "rapid prototype system" was complete "minus the

1 chip tray cover" on August 25, 1998. Yet the system was not made  
2 public until April 29, 1999. Thus, while there may not be genuine  
3 issues of fact with respect to conception and reduction to  
4 practice, there are issues of fact with respect to whether the  
5 invention was suppressed or concealed. See 35 U.S.C. 102(g)(2);  
6 Kimberly-Clark Corp. v. Johnson & Johnson, 745 F.2d 1437, 1446  
7 (Fed. Cir. 1984).

8 Ultimately, however, the issue of the priority dates of the  
9 '871 patent and the Trak-21 system are not material, because the  
10 '871 and the '436 and '857 patents cover virtually the same ground  
11 as the '871 patent. As Plaintiffs point out, Defendants offer no  
12 expert evidence to support the validity of their patents. They  
13 challenge the status of the '871 patent and the Trak-21 system as  
14 prior art, but decline to state any other substantive reasons why  
15 the '436 and '857 patents are not obvious. Not without reason,  
16 Defendants instead argue that Plaintiffs' arguments in support of  
17 the obviousness of the '436 and '857 patents exposes the weakness  
18 of Plaintiffs' opposition to Defendants' motion for summary  
19 judgment that the '871 patent is obvious. The observation is well  
20 taken.<sup>20</sup> However, these observations do not address the issue of  
21 the obviousness of the '436 and '857 patents.

22 Plaintiffs' Appendices C and D to their motion (#577) set out  
23 with particularity why claims 1, 2, 5, 8, 9 and 15 of the '436

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24  
25 <sup>20</sup>Plaintiffs cite patents as prior art that they contend  
26 render the '436 and '857 patent obvious, even as they resist having  
27 these same patents cited as prior art for the '871 patent, and they  
28 further argue that moving the camera to avoid obstructions was  
obvious. (P.s' Supp. Points and Authorities Re Obviousness and the  
Impact of the Supreme Court's KSR Decision on the Pending Summ. J.  
Mot.s (#859) 8.)

1 patent, and claims 1 through 3, 11, and 14 of the '857 patent are  
2 obvious in light of the '871 patent. These claims are also obvious  
3 in light of the Fishbine, French, Storch, Uhland, and to some  
4 extent Greenwood patents, and for substantially the same reasons  
5 that the '871 patent is obvious. Summary judgment will be granted  
6 to Plaintiffs with respect to the invalidity of the asserted  
7 claims.

8  
9 **IV. Defendants' Motion for Summary Judgment on Shuffle Master's**  
10 **Claim for Correction of Inventorship in Counts III through IX**  
11 **of the First Amended Complaint (#578)**

12 In counts III through IX of the First Amended Complaint,  
13 Plaintiffs assert that Oliver Schubert is a true but unnamed  
14 inventor of seven patents owned by MindPlay: U.S. Patents  
15 6,517,436; 6,520,857; 6,527,271; 6,530,836; 6,712,696; 6,579,180;  
16 6,579,181. Defendants seek summary judgment on these counts,  
17 arguing (1) that there is insufficient evidence that Richard Soltys  
18 and Rick Huizinga received any of Schuberts' ideas, and (2) that  
19 Schubert's alleged contribution is prior art and prior art cannot  
20 be a basis for inventorship. Soltys and Huizinga are the named  
21 inventors on these patents, and the patents are assigned to  
22 MindPlay. Schubert is a former employee of Shuffle Master and the  
23 named inventor of the '871 patent. It is undisputed that there was  
24 never any direct communication between Schubert and the named  
25 inventors, Soltys and Huizinga. However, tracking Plaintiffs'  
26 earlier trade secrets theory, Plaintiffs assert that Soltys  
27 received Schubert's ideas from Robert Mouchou, an executive  
28 employee of the Eldorado casino, and incorporated these ideas into  
the MindPlay patents.

1 Plaintiffs theory is as follows: (1) Mouchou approached  
2 Schubert about the possibility of a joint venture to produce a  
3 table tracking system in October 1996 (which appears to be  
4 undisputed); (2) Mouchou and his boss, Gene Carano, travelled to  
5 Las Vegas on July 23, 1997 to observe a demonstration of Schubert's  
6 prototype (which appears to be undisputed); (3) through this  
7 demonstration, which was confidential and made in furtherance of  
8 the proposed joint venture, Mouchou obtained Schubert's  
9 confidential ideas for future improvements regarding the  
10 development of a table monitoring system, including the idea of  
11 putting cameras inside the chip tray; and (4) Mouchou began to work  
12 with MindPlay on the company's table system and conveyed Schubert's  
13 confidential ideas to Soltys.

14 The Court finds that there are genuine issues of material fact  
15 regarding whether any of Schubert's ideas found their way to  
16 Soltys. The Court, however, agrees with Defendants that Schubert's  
17 alleged contribution could not have been enough to render him a co-  
18 inventor of the MindPlay patents. First, the '871 patent is  
19 obvious. Second, the Federal Circuit has held that "[o]ne who  
20 simply provides the inventor with well-known principles or explains  
21 the state of the art without ever having 'a firm and definite idea'  
22 of the claimed combination as a whole does not qualify as a joint  
23 inventor." Ethicon, Inc. v. United States Surgical Corp., 135 F.3d  
24 1456, 1460 (Fed Cir. 1998); see also Pannu v. IOLAB Corp., 155 F.3d  
25 1344, 1351 (Fed. Cir. 1998).

26 Plaintiffs seek to distinguish Ethicon as inapplicable in  
27 situations where, as is approximately alleged here, an inventor  
28 keeps information secret and then shares it with another inventor.

1 To the extent that the '871 patent is prior art to the MindPlay  
2 patents, the issue of misappropriation is simply a distraction  
3 because the Court must presume that each of the patents was granted  
4 for innovations beyond what the '871 patent already disclosed. In  
5 order to prevail with their correction of inventorship argument,  
6 Plaintiffs would have to show that Schubert contributed something  
7 beyond what the '871 patent already disclosed, and this Plaintiffs  
8 have not even attempted. Conversely, as Defendants argue, the  
9 patent examiner must be presumed to have allowed the patent in  
10 spite of the '871 patent, not because of it. Accordingly, if  
11 Schubert prevailed, it would only show that some or all of the  
12 MindPlay patent claims are invalid in light of the '871 patent, not  
13 that inventorship should be corrected.

14  
15  
16 **V. Conclusion**

17 For the reasons set forth above, **IT IS HEREBY ORDERED** that:

- 18 1. The Court's rulings on the evidentiary issues raised by  
19 the parties are as set forth above.
- 20 2. Plaintiffs' Motion to Strike [886] Errata (#891) and  
21 Plaintiffs' Motion for Leave to File Responses (#885) are  
22 **DENIED**. Defendants' Motion (#824) to Strike the  
23 Supplemental Expert Report of James T. Carmichael and the  
24 Portions of the Supplemental Expert Report of John  
25 Strisower Addressing Plaintiffs' Interference Claim for  
26 Violation of the Court's June 14, 2007 Order is **DENIED** as  
27 to Strisower but **GRANTED** as to Carmichael.
- 28 3. The Court's claim construction Order (#322) is **AMENDED** as

1 follows: The terms "chip edges" and "edges of each chip  
2 and edges of each individual chip" in the '647 patent  
3 shall both be construed as "the transition between a chip  
4 and something that is not that chip."

5 4. Defendants' Motion for Summary Judgment of  
6 Non-Infringement and Invalidity 5,781,647 (#580, #742) is  
7 **GRANTED** with respect to non-infringement and **DENIED** with  
8 respect to invalidity.

9 5. Defendants' Motion for Summary Judgment of  
10 Non-Infringement and Invalidity of U.S. Patent No.  
11 6,313,871 (#566, #743) is **GRANTED** on the issue of  
12 invalidity.

13 6. Defendants' Motion for Summary Judgment of Invalidity of  
14 U.S. Patent No. 6,313,871 Due to Failure to Join Co-  
15 Inventor William Florschuetz (#575) and Plaintiffs' Cross  
16 Motion for Summary Judgment (set forth in Plaintiffs'  
17 Opposition to Defendants' [Seventh] Motion for Summary  
18 Judgment of Invalidity of U.S. Patent No. 6,313,871 Due  
19 to Failure to Joint Co-Inventor William Florschuetz)  
20 (#672) are both **DENIED** as moot.

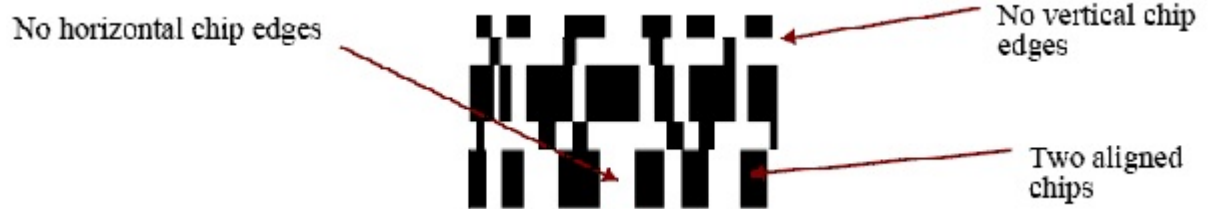
21 7. Defendants' Motion for Summary Judgment on Plaintiffs'  
22 Counts I-III of Counterclaims for Interference (#572) is  
23 **DENIED** as both meritless and moot.

24 8. Plaintiff Shuffle Master's Motion for Summary Judgment of  
25 Invalidity of the Asserted Claims of U.S. Patent Nos.  
26 6,517,436 and 6,520,857 (#577) is **GRANTED**; claims 1, 2,  
27 5, 8, 9 and 15 of the '436 patent, and claims 1 through  
28 3, 11, and 14 of the '857 patent are obvious.





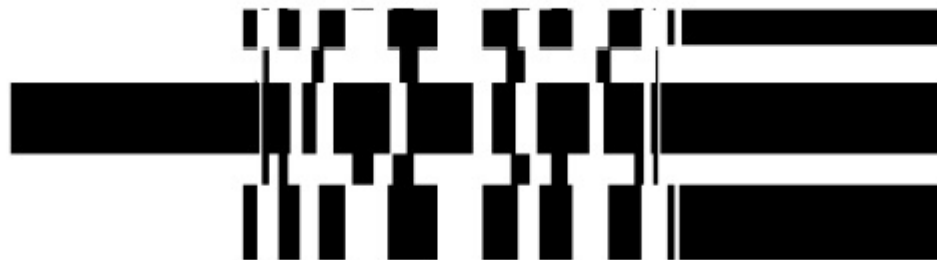
APPENDIX A



(Darrell Decl. (#569) ¶ 80) (arrows in original).



(Darrell Decl. (#569) ¶ 81) (representing three stacked chips).



(Darrell Decl. (#569) ¶ 82) (omitting both horizontal and vertical edges).

Appendix B

FIG. 2

PV 1,1

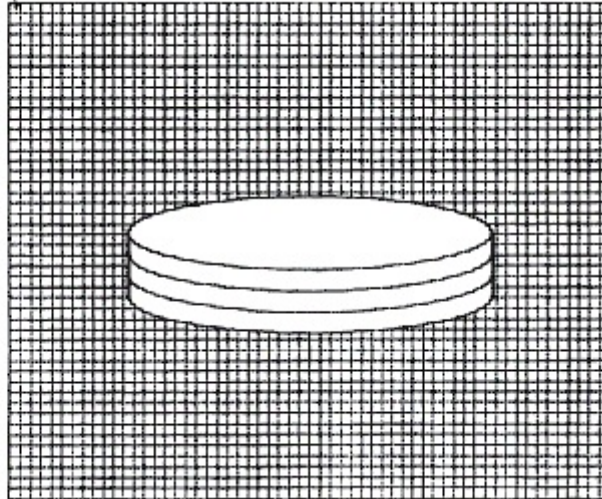


Figure 2, U.S. Patent No. 5,781,647